reason

JANUARY 1981 $2.00

THE USSR'S FORGOTTEN PEOPLE
GREAT BRITAIN'S GIANT WAITING ROOM
ECONOMIC FREEDOM OVERRULED

DATA PRIVACY:

WHAT WASHINGTON DOESN'T WANT YOU TO KNOW

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ADVERTISEMENT

THE FASTEST GROWING CHURCH IN THE WORLD

by Brother Keith E. L'Hommedieu, D.D.

It's quite safe to say that of all the organized religious sects on the current scene, one church in particular stands above all in its unique approach to religion. The Universal Life Church is the only organized church in the world with no traditional religious doctrine. In the words of Kirby J. Hensley, founder, "The ULC only believes in what is right, and that all people have the right to determine what beliefs are right for them, as long as they do not interfere with the rights of others."

Reverend Hensley is the leader of the worldwide Universal Life Church with a membership now exceeding 7 million ordained ministers of all religious beliefs. Reverend Hensley started the church in his garage by ordaining ministers by mail. During the 1960's, he traveled all across the country appearing at college rallies held in his honor where he would perform mass ordinations of thousands of people at a time. These new ministers were then exempt from being inducted into the armed forces during the undeclared Vietnam war.

In 1966 Reverend Hensley was fighting the establishment on another front. The IRS tried to claim the ULC wasn't a legal church and proceeded to impound the ten thousand dollars in the church bank account. The feisty Hensley filed suit against the IRS in federal district court for return of the funds and to permanently establish the ULC as a legal tax exempt entity. On March 1, 1974 Judge James F. Battin ruled against the IRS in his decision which stated, "Neither this court or any branch of this government will consider the merits or failacies of a religion. Nor will the court praise or condemn a religion. Were the court to do so, it would impinge upon the guarantees of the First Amendment." The judge then ordered the IRS to return the impounded money and to grant the Universal Life Church its tax exempt status.

Reverend Hensley has stated that he believes a church is people and not just a fancy building. He also believes in total freedom and equality for all people. The ULC will ordain anyone without regard to religious beliefs, race, nationality, sex or age.

The ULC's success formula is both effective and unquestionably legal. After a person has become an ordained minister, he or she can join with two other people and form their own Universal Life Church. These three people then make up the Board of Directors consisting of a Pastor, a Secretary and a Treasurer. The ULC will then grant the group the use of its legal church charter complete with both federal and state tax exempt numbers. The newly formed church may then open a bank account in the church's name. Any member of the church can legally donate up to 50% of his or her outside income to the church and take a corresponding tax deduction. The church in turn can pay the complete housing cost of its minister including rent or mortgage payment, insurance, taxes, furnishings and repairs. The church can also provide the minister with full use of an automobile as well as pay for travel and educational expenses. None of these expenses are reported as income to the IRS. Recently a whole town in Hardenburg, New York became Universal Life ministers and turned their homes into religious retreats and monasteries thereby relieving themselves of property taxes, at least until the state tries to figure out what to do.

Brother L'Hommedieu is Chairman of the Board of Trustees of the Sacerdotal Order of the Universal Life and serves on the Board of Directors of the International Universal Life Church, Inc.

Churches enjoy certain other tax benefits over the common man on the street. For instance, a church can legally buy and sell real estate or stocks and bonds completely tax free. It can receive tax free income from bank deposits or mortgages. Many churches own large publishing, recording, or other related businesses like hospitals, clinics and schools without paying any income tax.

A church can sponsor any kind of fund raising event such as a concert, play or even bingo. Churches are also exempt from paying inheritance taxes. When the pastor of the church dies, the Board of Directors simply appoints a new pastor and the church goes on.

Reverend Hensley has stated that he personally doesn't believe in the tax exempt status of churches. However, if the government is going to give a free ride to Billy Graham and the Pope, then why not let everybody participate in these blessings. Furthermore, he backs his words up by offering to defend in court the tax exempt status of his congregations.

Since the church was founded in 1962, it has attracted members who are movie and TV personalities, businessmen, government officials, lawyers, and doctors as well as all types of regular working people. During the last 15 years the Universal Life church has blossomed into a full blown grass roots populace movement. Reverend Hensley is ordaining ten thousand new ministers a week and predicts that the church will have over 20,000,000 members by the early 1980's. In addition, requests for interviews and TV appearances continue to pour in.

Anyone who is a member of the ULC will tell you that the ULC is destined to change the world. By unifying mankind into a brotherhood of freedom orientated individuals, each respecting the other's right to live life as they see fit, the Universal Life Church hopes to put an end to all wars. Reverend Hensley admits that this is a pretty monumental task to accomplish, but he also points out that he is already well on the way to reaching his goal.

Rev. Hensley invites all those interested in becoming an ordained minister and receiving complete information and Minister's Credentials, to send a 10^{00} tax deductible donation to the Universal Life Church, 1335 Seabright Ave., Dept. **809**, Santa Cruz, CA 95060

You don't know me, I realize . . .

But, I want you to have this before it's too late.

Hello . . . My name is Bud Weckesser. I'm 47 years old and I own a small company in Dunkirk, New York. Our phone number is 716-366-8300.

A number of years ago I lived in an apartment in Kent, Ohio. I had no savings and a beat-up old station wagon that still wasn't paid for.

One night my wife and I were playing cards with some friends. Mary mentioned casually that—on our budget—she was sure she knew 101 ways to fix hamburger. That hurt. So I challenged her. "If you'll type up the recipes," I said, "I'll take out a small ad in the National Enquirer and we'll see of anyone will pay $3.98 for your collection of recipes."

I rented a P.O. Box in Kent and placed a small ad. It was surprisingly cheap.

Several weeks later I stopped by the post office. I walked over to my box. When I looked through the little glass window on the door, I almost dropped my key. The box was stuffed—jammed—full of letters. All of them contained checks for $3.98—and they'd come from all parts of the U.S. and Canada.

The next few days were hectic, to say the least. My wife typed the recipes. I had them duplicated, stapled them together and our crude little book was born. But every day orders continued to pour in. And every day we'd bank the money and send out our stapled recipe booklet.

I decided to try another ad. This time I placed a classified ad for some of my beer and wine making recipes in Popular Mechanics. Again, the orders poured in. Over $1,000.00 in just several weeks. And, as our business grew, I corresponded with other people . . .

- A husband-wife team from Santa Barbara put together a booklet about how to "win at card games." It pulled $14,870.00 in just 5 months . . . all cash orders . . . all from a small ad . . . all by mail.
- An Oregon man informed me he had made over $14,000.00 selling his small booklet about getting rid of moles and gophers in your yard. Again . . . all by mail.
- A Maryland man wrote an 8 1/2" x 11" booklet of business advice. So far it's brought him over $140,000.00 . . . all by mail.

Don't misunderstand. This isn't a get-rich-quick scheme. But the profit potential is staggering! An Ohio man I spoke with put a large display ad in a national Sunday supplement. A few days later the orders started pouring in—mail sacks full of cash! Within the next two months he received over $220,000.00 in CASH orders for his $3.00 booklet.

Perhaps you're saying to yourself, "Yes, but this only works for a few lucky people." If that's your thought—and I don't blame you for being skeptical—please try this simple little test. It won't cost you a cent.

1. Go to the library and get some year-old issues of magazines with classified ads—like Popular Mechanics and Sports Afield, etc.

2. Select current issues of the same magazines.

3. Compare the classified ads. Look at the current issue then at the back issue. Note how many of the same classified ads are still running, ONE YEAR LATER. People don't continue running ads for over a year unless they're making money at it.

Let me give you some more amazing facts about this unique little business.

- You can start at home . . . in your spare time . . . quietly . . . it won't interfere with your present job.

★ You can take out a test ad for as little as $13.50 in a variety of well-known national magazines.

- You don't even have to write a booklet yourself. I'll show you how to obtain "how-to" booklets at wholesale prices—or below. They're already written, already printed and ready to sell. Even better, you don't have to buy them until you've tested your ad and have the cash orders in hand. In short, you don't tie up any money in stock or supplies of books.

★ You can set your own hours. All you need is a post office nearby.

- You can deduct up to 33% of the expenses on your home if you set up your office at home.

★ You can travel whenever you wish—or just loaf much of the time. All you need to do is pick up your mail twice a week—or have someone do it for you. You'll open orders, remove the checks (95% of them don't bounce, believe it or not) and bank your receipts.

- In the afternoon or evening, you can type the labels for the small envelopes you'll use to ship your booklets. Drop them off at the post office and you're done. No bosses, no layoffs, no strikes, no rat race.

I've put all of my instructions—every secret—in a simple Starter Guide. And if you're wondering why I'd share my business with you—especially if its so profitable—here's why.

The range of topics and ads is almost infinite. I won't be competing with you nor you with me. I've got a whole drawer full of ideas I haven't even tried yet. There's plenty of room for everyone.

I'll show you—

- How and where to get national ads for only $13.50 . . . ads you can run month after month.
- How to obtain FREE ADS—YOU PAY ONLY IF THE AD IS SUCCESSFUL.
- How to start with no money in books or supplies.
- Where to obtain hundreds of pre-printed booklets—at super low wholesale prices.
- How to word your ad—I'll include various sample ads.
- How to set up your office in a spare room or basement.
- I'll also include a giant list of "how-to" topics.
- Plus . . . all the sample ads, forms, lists, addresses, and details you'll need to get started within only 10 days.

If you're still skeptical, let me offer you a most unusual guarantee. I'll send you my Starter Guide to inspect. Keep it for one year. That gives you plenty of time to actually try my materials. If, at the end of one year—or anytime in between—you want your money back, just return what I've sent you. I'll issue you a full refund **within three working days**—no nonsense, no delays. That's our iron-clad guarantee.

Also, please feel free to POSTDATE your check THIRTY days. If you're not satisfied with my materials just send them back within 30 days and I'll return your original UNCASHED CHECK.

To begin, just write the words, **Dollars In Your Mailbox** on a piece of paper. Enclose your check or money order for $12.95 and send it to me, Bud Weckesser, at my address: Green Tree Press, Dept. 212, 10577 Temple Road, Dunkirk, N.Y. 14048. If you wish First Class Air delivery, please add $1.00.

Or, you may charge it to your Master-Charge or VISA card—be sure to include your account number and expiration date.

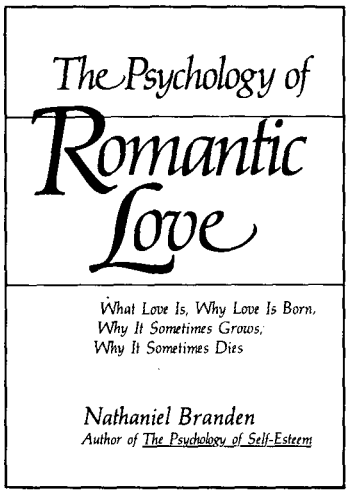
For EXTRA FAST SERVICE, call us at 716-366-8300 and give us the credit card information over the phone. You'll receive my materials for one year at absolutely no risk to you. That's our unconditional guarantee.

REFERENCES:
Our bank reference is Liberty National Bank and Trust Co., Dunkirk, NY 14048. We also belong to the Dunkirk Area Chamber of Commerce. Our corporate offices are located at 10577 Temple Road, Dunkirk, NY 14048.

© 1980 Green Tree Press, Inc.

A NEW CLASSIC BY NATHANIEL BRANDEN

Romantic love," writes psychologist Nathaniel Branden, "is a passionate spiritual-emotional-sexual attachment between a man and a woman that reflects a high regard for the value of each other's person."


The Psychology of
Romantic Love
What Love Is, Why Love Is Born,
Why It Sometimes Grows,
Why It Sometimes Dies
Nathaniel Branden
Author of The Psychology of Self-Esteem

THE PSYCHOLOGY OF ROMANTIC LOVE addresses itself to one of the most important but least understood aspects of our existence: love between a man and a woman—what it is, why it is born, why it sometimes grows, and why it sometimes dies. It is not a sex manual or "how-to" book. Its goal is to make romantic love intelligible—to enrich people's understanding of such love—and to celebrate this ideal as a realistic and worthwhile attainment for men and women of all ages.

The vision of romantic love is often scorned as a neurotic product of modern Western culture. Yet people continue to fall in love. Dr. Branden believes the vision refuses to die because it answers profound human needs. "I am writing from the conviction that romantic love is not a fantasy or aberration but one of the great possibilities of our existence," he says. "But it requires more of us in terms of our personal evolution and maturity than we generally appreciate." In this exciting new book he concludes that romantic love can be a reality for those who understand its nature and are willing to meet its challenges.

"This is a bold, important book. THE PSYCHOLOGY OF ROMANTIC LOVE will do more for lovers than all the sex manuals on the shelves."

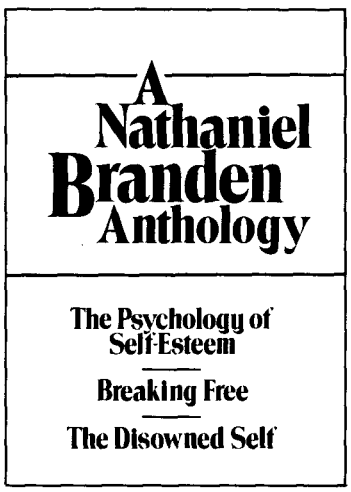
George Leonard,
author of THE ULTIMATE ATHLETE

A Psychology Today Book Club Main Selection
Published in June, 75,000 copies in print.

A Nathaniel Branden Anthology

Now available for the first time in one volume, this anthology of his three previous bestselling works will give his audience—and a whole new one—an opportunity to have the basic material of his thinking. He has also written a special essay for this edition.

The Psychology of Self-Esteem deals with the meaning of self-esteem, the relation of reason and emotion, the nature of free will, and the impact of self-esteem on motivation, work, friendship, sex, and romantic love.



Breaking Free addresses itself to anyone who is dissatisfied with his or her present level of self-understanding and wishes to learn more about the process of personality and psychological development.

The Disowned Self deals with the problem of self-alienation and how people can learn to release buried problems and realize their potential for growth, achievement, and fulfillment.

Nathaniel Branden is a distinguished psychologist in private practice in Los Angeles. He is Executive Director of the Biocentric Institute, through which he gives self-esteem and romantic relationship workshops in major cities throughout the U.S.

Available at your local book store or from:

Box NB, REASON, Box 40105, Santa Barbara, CA 93103.
Please send me
___ copies of THE PSYCHOLOGY OF ROMANTIC LOVE @ $10.00
___ copies of A NATHANIEL BRANDEN ANTHOLOGY @ $17.50
Please add $1.25 for postage and handling for a single title and $2.25 for both books. California residents add 6% sales tax.

NAME _____

ADDRESS _____

CITY _____ STATE _____ ZIP _____

Enclosed is my check/money order for $_____
Money refunded if not fully satisfied.

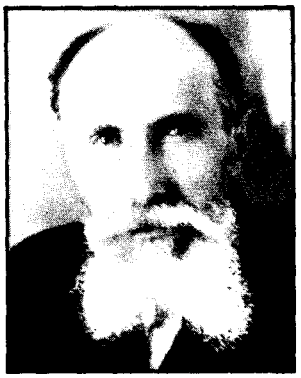
January 1981/Vol. 12, No. 9

reason

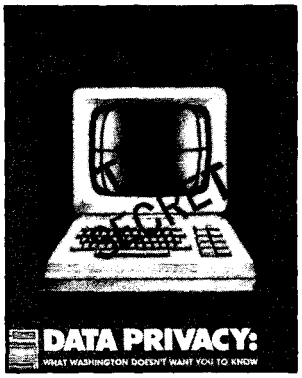
A forum for analysis and commentary, with an emphasis on individual liberty.

Suppressed inventor 24

Patients, patience 42



Unreported dissent 45



Cover by Robert Tinney and Nanette Boyer

DATA PRIVACY: WHAT WASHINGTON DOESN'T WANT YOU TO KNOW
Secret codes are now within reach of ordinary people, courtesy of the same electronic revolution that threatened to do away with personal privacy. But a little-known government agency is putting up a fight.
By Sylvia Sanders **24**

CONSUMER PROTECTION MAY BE HAZARDOUS TO YOUR HEALTH
Worried about your kids' pajamas, how your bank sets its interest rates, how much that new car is going to cost you? You should *be...now that government has gotten into the act.*
By Richard B. McKenzie **38**

GOVERNMENT MEDICINE: YOU WANT THE GOOD NEWS OR THE BAD NEWS FIRST?
What the British have done to their health care is no joke.
By Llewellyn H. Rockwell, Jr. **42**

REPORTING ON SOVIET DISSENT: THE FORGOTTEN PEOPLE
The less the outside world knows about the persecution of Soviet citizens, the happier are Soviet officials. But why do the Western media cooperate?
By Walter Parchomenko **45**

THE DECLINE AND FALL OF ECONOMIC FREEDOM
Once upon a time, the Supreme Court looked askance at government regulation of economic activity. But then the majority became the minority.
By Bernard H. Siegan **48**

EDITORIAL/What Kind of Mandate? **8**
VIEWPOINT/The Last Returns **53**
SPOTLIGHT/Free-Market Consumer Advocate **54**
TAXES/Living and Loving under the IRS **55**
EDITOR'S NOTES **6**
LETTERS **10**
BRICKBATS **14**
TRENDS **16**
MOVIES **56**
BOOKS **57**
CLASSIFIEDS **66**

REASON is published monthly by the Reason Foundation, 1129 State St., #4, Santa Barbara, CA 93101. Tel. (805) 963-5993. Second class postage paid at Santa Barbara, CA, and at additional mailing offices. Postmaster: Please send Form 3579 to REASON, Box 40105, Santa Barbara, CA 93103.
Copyright © 1980 by the Reason Foundation. All rights reserved. Opinions expressed in signed articles or columns do not necessarily represent the view of the editors.

CORRESPONDENCE: Address comments, manuscripts (for return, please include a self-addressed, stamped envelope), classified ad orders (with full payment), and subscription orders to REASON, Box 40105, Santa Barbara, CA 93103. Two copies of manuscript required. Author information sheet available on request. Address mail concerning display advertising to Robert Bakhaus, 1129 State St., #4, Santa Barbara, CA 93101.

CHANGE OF ADDRESS: Please allow six weeks for change of address. Send address label and new address to Circulation Dept., REASON, Box 40105, Santa Barbara, CA 93103. Requests for missing issues due to late notice of change of address, or older than two months from current date, will not be honored unless accompanied by payment.

ISSN 0048-6906

reason

EDITOR
Robert Poole, Jr.

ASSOCIATE EDITOR
Marty Zupan

SENIOR EDITORS
Manuel S. Klausner
Tibor R. Machan

ASSISTANT EDITOR
Christine Dorffi

CONTRIBUTING EDITORS
David Brudnoy
James Dale Davidson
Edith Efron
Mark Frazier
John Hospers
Eric Mack
Henry G. Manne
William Marina
Karl Pflock
Lowell Ponte
Alan Reynolds
Murray Rothbard
Thomas Szasz

FOREIGN CORRESPONDENTS
Prakash Aswani/Middle East
Rick Bolstler/Canada
Anne Brincker/Denmark
V. R. Forbes/Australia
Ole-Jacob Hoff/Norway
John-Henri Holmberg/Sweden
Hubert Jongen/The Netherlands
Riccardo La Conca/Italy
Henri LePage/France
Leon M. Louw/South Africa
Guy de Maertelaere/Belgium
H. Joachim Maitre/West Germany
N. G. Molinelli/Argentina
Luis Reig/Spain
Eben Wilson/England

DEPARTMENTS
Steve Beckner/Money
Tim Condon/Taxes
Patrick Cox/Spotlight
Thomas Winslow Hazlett/Brickbats
John Hospers/Movies
Randall K. Hylkema/Rudebarbs
Robert Poole, Jr., and
Christine Dorffi/Trends

ART DIRECTOR
Nanette Boyer

TYPESETTING
Jean Graphics

STAFF
Elizabeth Anderson
Ashley Brooks
Cathy Chmel
Suzi Rolland
Louis A. Rollins

ADVERTISING: For display advertising contact Robert Bakhaus, 1129 State St., #4, Santa Barbara, CA 93101; (805) 963-5993. Deadline for insertion order: 1st of each month. Ad appears 40 days later. Obtain rate card before sending copy. For classified ad orders, please see Classifieds page, this issue.

SUBSCRIPTIONS: Subscribers are members of the Reason Foundation. Membership (US residents) is $19.50 per year, of which $6.25 is set aside for publication costs. Long-term rates: 2 years, $34.00; 3 years, $45.00. Other countries add $4.00 per year.

BACK ISSUES: Write for back issue list for current prices. Volumes 1-4 are available on microfilm from University of Southern California Library Micrographics Dept., University Park, Los Angeles, CA 90007. Volumes 5 and up are available from Xerox University Microfilms, 300 North Zeeb Rd., Ann Arbor, MI 48106. Indexed in *America: History and Life, Historical Abstracts,* and *Public Affairs Information Service Bulletin.*

editor's notes

• **REPRINTS GALORE.** Material from REASON continues to be reprinted in diverse places. Rep. Ron Paul's already much-publicized article "SALT-Free Defense" (Mar. 1980) is being included in the 1980-81 college debate packets being sent out by the Foundation for Economic Education. In a similarly educational vein, the Washington-based Council for Competitive Economy has reprinted several REASON articles. The CCE's Perspectives on Public Policy series now includes "Regulation's Fatal Flaw," by E.C. Pasour, Jr. (Oct. 1978) and "The Reconstruction Finance Corporation Rides Again," by Walter Grinder and Alan Fairgate (July 1975). The Council's monthly newsletter, *Competition,* has reprinted Joe Cobb's review of *Democracy in Deficit* and Dom Armentano's review of *The Competitive Economy.*

Another reprint has proved to be quite popular. The October 2, 1980, issue of the David L. Babson & Co. investment letter carried Alan Reynolds's "Trimming Your Hedges" from our June 1980 Financial Issue. As soon as the Babson letter appeared, financial editors began requesting permission to reprint it. Long excerpts subsequently appeared in the *Philadelphia Inquirer,* the *San Diego Tribune,* and the *Journal of Commerce,* among other places.

• **NEW JOURNALS.** Two journals written from a European liberal (i.e., free-market) point of view have recently come to our attention. One is brand new; called the *Journal of Economic Affairs,* it is published by England's leading free-market think tank, the now-famous Institute of Economic Affairs. Contributors to the first issue (Oct. 1980) include F.A. Hayek, E.G. West, B.S. Yamey, and many others. According to editor Arthur Seldon, *JEA* is aimed at allowing economists and others to analyze events more promptly and crisply than they could do in the scholarly literature. Subscription information is available from Basil Blackwell Publisher, 108 Cowley Road, Oxford OX4 1JF, England.

From Sweden comes an interesting perspective on foreign affairs in *International Background,* edited by Arvid Fredborg. Notes REASON's Tibor Machan, *IB* possesses "one quality unmatched in other foreign affairs publications: epistemological integrity. There is in almost all its articles an awareness of the limitations and extent of what can be said about various matters of importance" in this field. Americans may order a one-year (10-issue) airmail subscription for $55 from P.O. Box 7063, S-103 86, Stockholm, Sweden.

• **ECONOMIC LITERACY.** Does it bother you that news media personnel frequently appear to be ignorant of the most basic concepts in economics? It worries The Media Institute, too, and they've set out to do something about it. From now on, when an event with important economic implications takes place, reporters wil be able to call on the Institute's new Economic Communications Center for a competent economic analysis. Providing it will be one of about two dozen economists—among them C. Lowell Harriss (Columbia), Arthur Laffer (USC), Roger Meiners (Texas A&M), Elizabeth Whelan (American Council on Science & Health), and Walter Williams (George Mason University). The Institute can be reached at 3017 M Street, NW, Washington, DC 20007.

• **NEW HEBRIDES UPDATE.** Amnesty International has sounded the alarm about mistreatment of the defeated rebels on Espiritu Santo and other islands in the New Hebrides (see REASON's Sept. 1980 cover story for background). On October 23 AI sent out an "Urgent Action" bulletin reporting on widespread arrests of French-speaking Melanesians on at least four of the islands—all supporters of captured rebel leader Jimmy Stevens. Some 1,000 people have been arrested, detained without charges, and in some cases beaten and tortured. (All this, mind you, is being done by the socialist government of Father Walter Lini, financed for many years by the World Council of Churches.)

AI is asking people to protest directly to government officials: Prime Minister Walter Lini or Home Affairs Minister Fred Timakata, Port Vila, Efate, Vanuatu (formerly New Hebrides). An airmail letter costs just 31¢. It wouldn't hurt to send copies to your congressman and the State Department, as well. (Incidentally, president-elect Ronald Reagan was fully briefed on the New Hebrides situation last summer by a libertarian staff member who has visited the islands and met Jimmy Stevens.)

—R. P.

ATTENTION GOLD INVESTORS

Powerful Leverage in Gold

With Complete Protection Against Margin Calls And Forced Liquidations

Today, a little-known gold investment is rapidly gaining favor among investors because it alone offers them this combination of major benefits:

Powerful Leverage. This investment generally offers you between 2-to-1 and 20-to-1 leverage. In some cases the leverage can be far greater.

Complete Protection Against Margin Calls and Forced Liquidations. Even if the market moves against you, there can be no margin calls and forced liquidations.

Limited Predetermined Risk. You decide in advance how much you're willing to place at risk and that's it. You can never lose a penny more than your initial investment.

What is This Investment?

The investment is an option on gold issued by the Mocatta Metals Corporation. Mocatta Metals with its affiliates and subsidiaries is one of the world's largest precious metals trading and finance organizations—and has revenues well over $10 billion per year. Mocatta is a clearing member of almost all the world's commodity exchanges.

New FREE Booklet "A Guide To Mocatta Gold Options"

For further information about Mocatta gold options phone toll free or mail the coupon below, today.

We will mail you a free copy of our new booklet, "A Guide To Mocatta Gold Options," which is designed to explain gold options in detail and to show you how to use them in your investment program. In addition, we'll send our current disclosure statement, and our in-depth report on gold. The materials will give you the answers to questions such as:

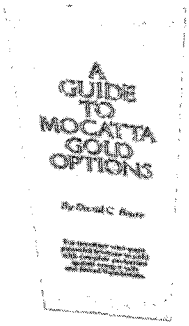
- What exactly is a Mocatta gold option?
- What are the charges for buying or selling them? Can I take delivery of my gold?
- What are the advantages of Mocatta gold options?
- What is the best way to take profits on them?
- What are the risks of Mocatta options? Why they are definitely not suited for all investors. What type of investors they are suited for.
- How to use gold options as an effective hedge against inflation. How to use them to speculate for large profits.
- Why Middle East politics and certain recent actions of the U.S. Treasury may soon trigger a steep rise in the price of gold.

May we send you free copies of, "A Guide To Mocatta Gold Options," and our in-depth report on gold? Simply mail the coupon or call the toll-free number listed below, today.

For Your Free Guide to Gold Options Mail This Coupon Today

International Trading Group Ltd.
120 Montgomery Street
San Francisco, California 94104

☐ Please rush me my FREE information package about gold and gold options, including "A Guide To Mocatta Gold Options," your current disclosure statement, and your in-depth report on gold. I understand these materials will explain gold options in detail and show how they give powerful leverage in gold with complete protection against margin calls and forced liquidations. I also understand that there is absolutely no cost or obligation.



NAME _____

BUSINESS PHONE ( ) _____

HOME PHONE ( ) _____

ADDRESS _____

CITY _____

STATE/ZIP _____

For FASTER SERVICE CALL TOLL-FREE Nationwide: (800) 227-3150 Ext. 4562. In California: (800) 652-1600 Ext. 4562.

Registered with the CFTC.

© 1980, International Trading Group

What Kind of Mandate?

editorial

It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of Light, it was the season of Darkness, it was the spring of hope, it was the winter of despair.

—Charles Dickens,
A Tale of Two Cities

IT'S EASY TO UNDERSTAND the euphoria felt by our conservative friends and colleagues at the Reagan landslide. More clearly than in any election in decades, the voters had a sharp choice between less government and more of the same. And overwhelmingly they opted for less.

At the same time, however, we share the concern of many libertarians over what *else* the election may signify:

- A political debt to the New Right/Moral Majority crowd, which could mean setbacks for the legitimate rights of women, homosexuals, and others to equality before the law.
- A runaway defense budget, responding to widespread perception of military inadequacies by the usual government expedient of throwing money at the problem.
- Increased risk of war, brought on by an increased tendency for the US government to intervene in local crises around the globe.
- Abandonment of real change (that is, abolition of departments and programs) in an effort to placate numerous interest groups that are committed to the status quo, thereby preserving the new majority.

The challenge for advocates of freedom is to seize the opportunity provided by the electorate's endorsement of the GOP's rhetorical commitment to our ideas—limiting the size of government, relying more on the free market, expanding individual rights, providing sound defense— while simultaneously pressuring the new administration to resist dangerous antilibertarian overtures.

To begin with the "family" or "morality" issues, it must be stressed that not even as a matter of political pay-offs does Reagan owe a special debt to the New Religious Right. His landslide encompassed all regions of the country, blue-collars as well as white, women as well as men, Jews as well as Christians, and numerous Democrats and independents. Thus, no special interest group has a particular claim to favored treatment by the Reagan administration.

All of that notwithstanding, it seems to us that there *are* ways in which the new administration could respond legitimately to the concerns of many Christians over moral issues. Where federal programs require taxpayer-funded schools to inculcate moral values—whether sex education *or* prayers—those programs *ought* to be abolished. Where the taxes of people who believe abortion is—literally—*murder* are taken from them to pay for abortion, it is legitimate to ask government to step aside, leaving this troubling issue to be resolved privately. Where government would force people to hire or rent to people whose sexual preferences they find morally intolerable, it is legitimate to end such requirements. None of these moves would infringe any individual rights. On the contrary, they would bar government from areas in which it has no business interfering.

In the field of defense, the preliminary Reagan budget is staggering in its scope—immediate production of the B-1 bomber, development of a new bomber, increased production of Trident submarines and missiles, acceleration of the MX missile program, deployment of more Minuteman missiles, a new antiballistic missile system, increased R & D on space-based laser antimissile systems . . . the list goes on and on. What is missing from this laundry-list approach is any clear relationship between means and ends, or the thoughtful application of cost-effectiveness principles to the sphere of military defense. Such a brute-force effort might impress the Soviets and US allies. But it will also cost US taxpayers far more than an effective defense needs to cost.

The Reagan approach to foreign policy appears to echo the Carter/Brzezinski commitment to US intervention in trouble spots everywhere, with differences only in emphasis and in choices of heroes and villains. In the area where this approach is most likely to lead to war—the Persian gulf—the Reagan team appears unable to appreciate the connection between its energy policy proposals and its defense plans. The whole rationale for possible Persian Gulf intervention is that "vital US interests" are at stake—namely, the flow of oil. Yet if the administration succeeds in accomplishing what its platform and Reagan's rhetoric have promised—immediate decontrol of oil and gas prices and abolition of the Department of Energy and its regulations —US dependence on Persian Gulf oil (and on imported oil generally) could be substantially eliminated (see Trends, p. 16). Either the Reagan planning teams have been working in isolation from one another, or they aren't really serious about their energy program.

This brings us to the final concern, the temptation to abandon the "radical" less-government vision and return to politics as usual. Here is where libertarians and Young Turk conservatives must be especially vigilant. Never before has there been such an apparent mandate for cutting back the American State. And never before has there been such a wealth of creative new ideas from libertarian and conservative sources, among them:

- The Cato Institute's imaginative and carefully worked-out plan for phasing out the bankrupt Social Security system and replacing it with economically sound Individual Retirement Accounts.
- The Heritage Foundation's "alternative budget" proposals to replace numerous aid-to-cities boondoggles with urban enterprise zones, promoting revitalization by the private sector instead of the bureaucracy.
- The Reason Foundation's forthcoming proposals for marketplace alternatives to the major federal regulatory agencies—OSHA, ICC, FCC, FDA, etc.

The time is right for such new ideas. The intellectual groundwork has been laid over the past two decades. And now political conditions have opened the door for their implementation. It is up to us to seize the day, to use this opportunity to roll back the State, on both economic *and* family issues, both at home *and* abroad.

Robert Poole, Jr.

NATIONAL TAX SHELTER DIGEST

A DYNAMIC WORLD OF TAX SHELTER INVESTMENT KNOWLEDGE

DELIVERED TO YOUR DOOR
12 MONTHS A YEAR

TODAY'S INVESTORS WANT AND NEED TO KNOW MORE ABOUT TAX INCENTIVE INVESTING

NATIONAL TAX SHELTER DIGEST

WILL KEEP YOU UP TO DATE ON

- oil & gas
- agribusiness
- exotics
- solutions
- real estate
- securities
- analysis
- strategy
- leasing
- financial planning
- gain & risk
- tax savings

Discover your tax saving RIGHTS and how to reduce your tax paying excesses.

WHY PAY MORE THAN YOU HAVE TO ?

SUBSCRIBE TODAY

NATIONAL TAX SHELTER DIGEST

Name (please print) _____

Company _____

Address _____

City _____ State _____ Zip _____

GUARANTEE: If you are dissatisfied with NATIONAL TAX SHELTER DIGEST at any time, you may cancel your subscription and receive a pro rata refund on the balance.

☐ YES, I want to subscribe to National Tax Shelter Digest. Enclosed is my $30 payment for one year (12 issues).

☐ VISA
☐ Mastercharge

Acct. No. _____

Exp. Date _____

Signature _____

Send To: P.O. Box 4127, (REA)
Fort Walton Beach, Fl 32549

letters

Housing Problems

"Housing: Tangled in Red Tape" (Oct.) is an excellent analysis of some of the problems we are faced with. It is an article that should be published in every media, so that the public can begin to understand why housing is so expensive and why developers are more and more reluctant to risk capital these days. The ultimate here, of course, is less housing, serious shortages, and then the threat of more and more government control.

Donald E. Van Curler
Ann Arbor, MI

Building sans Permit

I want to express my appreciation for the quality article on building codes in the October issue. It struck some very responsive chords.

Since spring of 1977, mostly by way of avocation and to provide for myself a house that would be pleasant to inhabit during a New Hampshire winter, I have slowly been building a structure fitted specifically to its site and to my own lifestyle. Even now, although I had hoped to have it ready for this coming winter, it is far from completion. I pick away at it as time permits: perhaps a full three days per week.

Early this year while in a Selectmen's meeting where I was challenging an absurd change in my tax assessment, the question about my building without a permit was raised. I admitted fully to doing so, and also that I put up and take down structures quite often without anyone's say-so.

So the inspector has been up and the local health officer and a Cease and Desist Order has been issued and next our officials will have to establish that I am in violation of that order before going to Superior Court for an injunction. Even then they will have a problem establishing a violation, and so it goes. I am hoping that the very difficulty of anyone's being able to ascertain from the boundaries of the property whether or not the house even exists, let alone whether I'm building it, will stand in favor of my being free to build it.

There is no doubt, though, that I *want* this case to go to court. I think I have here an issue sufficiently clear in its aspect as an incursion upon personal freedom that I can gain some politically useful coverage from it. New Hampshire, as you may know, sports the motto "Live Free Or Die," although no one seems to take much notice of the daily travesties upon it. In fact, no one was much aware what our state motto was until the Vietnam War protests began and the motto emerged on license plates with a very lugubrious intent.

Thanks again for the ammunition you have provided. I hope that by the time I go to court (?) there will be some more favorable precedents to cite.

Avery R. Johnson
Milford, NH

Foreign Policy Overhaul

Congratulations on the editorial raising the foreign policy issue. If there is one area requiring a major overhaul in libertarian thinking, it is this one. Libertarian thought has been dominated until now by the Rothbard-revisionist-isolationist school, which in my estimation is totally misguided and naive, to say the least. This, more or less, seems to be the official policy of the Libertarian Party. It ignores the reality of international power politics and attempts to whitewash the role of the Soviet Union as a justification for its utopian thesis.

Clearly, the interest of the United States as a society, as well as the individual interests of American citizens, extend beyond our own borders. Somewhere between the revisionist-isolationist head-in-the-sand policy and the militaristic big-spending hysteria of most conservatives, libertarians can find common ground in a sane, responsible position that recognizes current realities.

I hope that you will extend this debate in the pages of REASON.

Jerome Tuccille
Cos Cob, CT

A Call to Reason

Your editorial "A Call to Sanity on Foreign Affairs" (Oct.) states precisely one of the most serious—if not *the* most serious—problems facing not only this country but the entire world. It is a problem now being largely ignored.

As you point out, its solution requires the attention of our best brains in military science, economics, geopolitics, history, and many other disciplines. It is the sort of problem that should have been under study long ago by the Mont Pelerin Society. But, as a close observer of that society for many years, I feel sure that the society will not make such a study.

Perhaps the Hoover Institution could be persuaded to undertake it. But here again, you may run into a conjuncture of the "military-industrial-financial-foundation complex" (to expand Eisenhower's characterization).

Do you think that REASON magazine, with appropriate financial and secretariat backing, might be able to set up a conference of *top* minds on this problem—their deliberations and conclusions to be published, perhaps in a special issue of your magazine? There is nothing brilliantly original in this suggestion, and you yourself, no doubt, may have often entertained such an idea. Yet your editorial articulates what has long been in my mind, and I think it is significant that, to my knowledge, no one else has expressed the concern you have for a *reasonable* consideration of this critical problem.

George Koether
Madison, CT

Private Solutions

October has traditionally been a month for trick-or-treat, but your October issue gave us both.

The "trick" may have been unintentional—after all, you have reason to believe that what is printed in *Science* magazine bears some relation to science. Julian Simon's piece (cited in Trends) was at best misleading, and *Science* is still getting letters from scientists about the unreliability of Mr. Simon's "facts." Your readers certainly deserve something better.

Fortunately, they got it, in "Confessions of an Environmentalist." Here's a point of view I'd like to see libertarians pay more attention to—the environmental problems are real, but the federal government is not going to solve them. It is, as usual, up to us.

It is not particularly comforting to realize that our water supply is in the same hands as our building codes; that long before we had a Department of Energy, this country had six *million* windmills in

private hands; that it is not the Department of Agriculture which is teaching farmers how to prevent another dust bowl, but Robert Rodale.

There is a wealth of material out there (and here in Washington!) about what private citizens and private groups are doing to improve the environment and precious little written about what the federal government is doing—and subsidizing with our money—to make things worse. Even one such article—like Lawrence Dodge's—is a real treat. Thank you.

Sharon Lynn
Washington, D.C.

New Environmentalism

I enjoyed Lawrence B. Dodge's article, "Confessions of an Environmentalist" (Oct.). Reading it moves me to call your attention to a little book which, in a mere 108 pages, powerfully corroborates what Dodge said. The book is: *Earth Day Reconsidered,* edited by John Baden and published by The Heritage Foundation, Washington, D.C. I particularly recommend Chapter 11 to Mr. Dodge—and, indeed, to all your readers.

Charles H. Chandler
Farmington, CT

On Bandow on Reagan

I know my friend Doug Bandow ("How Right is Reagan?" Nov.) is an attorney and free-lance writer as he is identified following his more-than-fair assuagement of claimed Reagan/Republican schizophrenia. But REASON inexcusably declined to inform its readers that he is also an employee of the Reagan/Bush campaign committee who was, incidentally, on the day the November REASON appeared, busily manufacturing excuses about repeated Reagan waffling for the *Wall Street Journal,* saying that "there are political and budgetary realities" that would argue against Reagan support for repeal of the "windfall profits tax." Doug and Martin Anderson make it clear that the Reagan administration would, after all, relish the opportunity to get its hands on the loot (*WSJ,* 10/16/80).

This group's "potential for advancing liberty" by plying a supposedly amenable Reagan is strictly illusory, and REASON is missing the boat by acting as accomplice in this sort of backsliding.

Jule R. Herbert, Jr.
Treasurer, Clark for President Committee
Washington, D.C.

Rational Thrill

I'm impressed! First the excellent articles on the radiation hysteria in the March issue, then the look at threshold "arguments" by Bell in the July issue, and the *excellent* article on Three Mile Island by Adam Reed in August have convinced me that REASON is the best magazine to consult for an objective look at energy.

Add to this the masterfully written articles on medical certification, education, economics, politics, and philosophy, and the result is even better. Then the final touch is the humor of Rudebarbs as well as the Brickbats section.

The exposé of Barry Commoner's energy mythology (Nov.) couldn't have come at a better time. It's a real thrill to have a rational alternative to the clutter of slick newsmags with their cliché captions and color photographs. Keep 'em coming!

Hank Phillips
Austin, TX

SILVERSTACK SOARS!

Have you noticed the fantastic bull market going on in Canadian mining stocks?

SILVERSTACK rose from 17¢ to around $30 (U.S. funds) in only 3 years—up approximately 17,500%!! That's like having bought IBM *when it first got started!* **SILVERSTACK** was added to the **DINES "PENNY" PORTFOLIO** at $5.88 on 12 Oct '79.

The **DINES "PENNY" PORTFOLIO** consists of 48 very low-priced speculative stocks in gold and silver mines, all of which were under $10 initially. It was started with an initial investment of $50,000 as published on 26 Oct '79. On 3 Oct '80 this portfolio had a value of $123,863—up 147%. **THE DINES LETTER** urges all investors to **BUY** the stocks in this portfolio **IMMEDIATELY.** *All new subscribers get a copy of this portfolio. Performance records on the stocks listed in* **DINES "PENNY" PORTFOLIO** *from its inception are available on request.*

A recent issue of THE DINES LETTER covers these ten vital questions:

- Which gold, silver and platinum stocks should you buy **now?**
- Is copper a buy? What about gold, silver and platinum futures?
- Is the U.S. dollar or the Swiss franc more attractive?
- Which way will the stock and bond markets go next?
- Is THE DINES LETTER still looking for a short-term decline?
- Are interest rates heading up again, and should utility shares be sold?
- Are the banks safe, and are there any easy, inexpensive precautions *that should be taken? Should you move money overseas?*
- Does Mr. Dines still predict a depression unless we go back to a gold standard?
- Who is to blame for inflation?
- Why has Mr. Dines been calling himself "The Original Energy Superbear"?

For specific answers to the above, subscribe now and you'll get these additional features:

1. A COPY OF THE DINES' MODEL PORTFOLIO divided into high-quality and speculative. This is an actual portfolio so **The Dines Letter** puts its own money where its mouth is. You can invest $4,000, $40,000 or $400,000 and get a gold-oriented portfolio personally supervised by Mr. Dines. As you might know, Mr. Dines is **"The Original Goldbug,"** based on his being the first Wall Street Security Analyst to recommend gold at $35 and silver at 93 cents since 1961. This portfolio is diversified between quality and speculative gold and silver stocks with geographic representation around the world (in case of exchange controls).

2. A NEW PORTFOLIO, THE DINES "PENNY" PORTFOLIO, another actual portfolio, specializes in very low-priced gold & silver mines for your ultra-speculative "Las Vegas Money."

3. OUR 15 PAGE BOOKLET "HOW TO USE THE DINES LETTER," especially written for beginners, including discussions on "The Dines' First Market Axiom," "The Dines Anti-Change Concept," mass psychology in the stock market and especially mass masochism and gamblers' secret desire to lose, Technical Analysis, "How To Use Point & Figure Charting," the use of stops to prevent large losses, plus much more.

4. THE DINES LETTER'S BIG 1980 FORECAST ISSUE. This issue has always been a favorite with subscribers who *look for new predictions.*

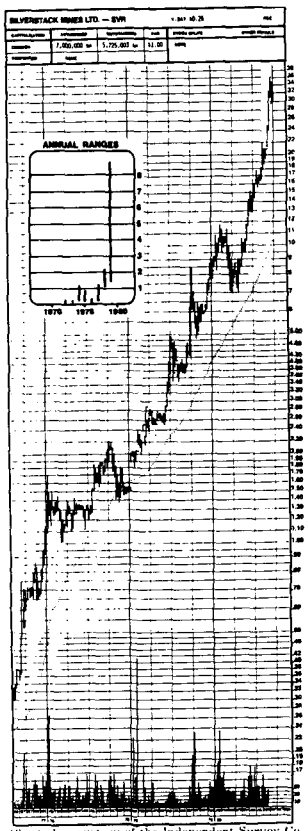
5. A BIOGRAPHICAL SKETCH OF MR. DINES, again *including many predictions for the 1980s.*

6. A JAN 1979 BARRON'S ARTICLE containing Mr. Dines' predictions during the annual "roundtable," with an explanation of monetary instability and how one might handle these events profitably.

7. A BARRON'S ARTICLE on Mr. Dines' famous 2 Oct 78 interview concerning precious metals—some of these predictions have already come true.

ADDITIONAL BONUS!

THE LAST TWO ISSUES OF THE DINES LETTER, *to get you into "the swing of things"* will be sent in addition to your subscription.



Charts by courtesy of the Independent Survey Co. Ltd., P.O. Box 6000, Vancouver, B.C. V6B 4B8

JIMRN

The Dines Letter

P.O. Box 22, Belvedere, California 94920

Yes! Send me your Introductory Package and start my subscription to **THE DINES LETTER.** (Payment in U.S. dollars MUST be enclosed!: Enclosed is ☐ $150 for 1 year. ☐ $85 "fair trail" for 6 months. ☐ $10 for 1 issue quick "look-see" trial.

Name _____

Address _____

City _____ State _____ Zip _____

(Not assignable without your consent. N.Y. residents please add applicable sales tax. No refunds. Beginning January 1981, The Dines Letter will be published monthly at the same rates as in effect today, but we'll include at no additional charge the Interim Warning Bulletin (IWB) service, present cost of which is $75 value.)

Cato Contentions

Robert Chitester's comments, as reported to Patrick Cox in October's Spotlight column, are highly misleading. First, Mr. Chitester was not in residence at the 1978 Stanford program past the middle of the week, and foreign policy issues are scheduled at the very end of the program. Therefore, it is not clear how Chitester can have complaints about something he never participated in. Further, according to the evaluation form he returned to us, he attended only four of the 20 lectures. I personally recall that Bob spent most of his first few days on the telephone outside the lecture hall and did not display any particular enthusiasm for attending the lectures.

Further, I cannot accept his contention that no one would discuss his foreign policy positions. Cato-sponsored discussions are open and participants are free to discuss anything they wish. We do try, usually without success, to focus each day's discussion group on topics covered that day. This would explain why the group leaders *may* have been unresponsive to Chitester's questions, since the foreign policy groups were only meeting later in the week.

Finally, in a written communication to us, Bob expressed his fear that libertarianism is a "closed set of principles." The translation of that remark is simple: "Why won't you give up these principles so persons with other ideas can be libertarians too?" Bob's comment that he is comfortable with libertarianism, but uncomfortable with Cato, is contrary to his earlier communications with us, and contrary to logic. All becomes clear, however, when one understands that Chitester is a conservative, not a libertarian, and therein lies his "problem." In any case, Chitester's criticisms of the Cato seminars are unconvincing because he is not a libertarian and was not in attendance.

Robert L. Formaini
The Cato Institute
San Francisco, CA

Mr. Chitester replies: I attended a Rothbard lecture on foreign policy. I raised serious issues in the following discussion sessions. After two to three minutes, most Cato "libertarians" walked away. Finally, my points were dismissed, not answered, with an aloof, "You'll never understand; you haven't the basic commitment."

Why are Mr. Formaini and others so sensitive about challenges to their foreign policy positions? Why are my criticisms dismissed because I did not attend further meetings? Was there a change in position? Did George Washington become something other than a "dumb boob"? Did Jefferson regain favor despite his "sell out"? Was Lincoln no longer characterized as a "monster"? Did a "relaxed" attitude toward the Soviet Union change? Not from what I understand.

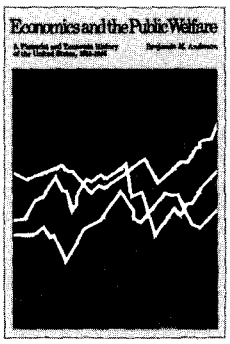
What troubles me is the "utopian" framework of Cato's "libertarianism." You're either a "born-again" unthinking disciple, or you're "conservative." I am a libertarian. I favor freedom to the greatest degree possible, particularly freedom of discourse and intellectual inquiry. On that score, Cato seems rather authoritarian.

Hayek has been one of Cato's heroes, but I assume he's now a war-mongering conservative because he suggested we bomb Tehran. Perhaps his experience with the Nazis and his conviction that Socialism and Fascism are one leads him to irrational views. Someone, including a few of us libertarians, had better be ready to defend our freedom if all of us are to have the opportunity to attempt to preserve it.

Political Alternatives

There was much ado in your November issue about Mr. Clark "taking incredibly watered-down stands and creating

LibertyPress
LibertyClassics



Economics and the Public Welfare
Financial and Economic History of the United States, 1914-1946

By Benjamin M. Anderson

"In the direct handling of economic life, governments are usually clumsy and ineffective. In economic life their main business should be that of a traffic cop, not that of a driver, and above all not that of a back-seat driver," says the author of this insightful history. The wisdom of his viewpoint is confirmed by Dr. Anderson's careful account of American financial and economic events beginning before World War I and ending with the Bretton Woods Conference after World War II.

Benjamin M. Anderson taught economics at Columbia, Harvard, and the University of California. He was an economist for the Chase Manhattan Bank and for many years edited the *Chase Economic Bulletin*. Hardcover $10.00, Paperback $4.50

We pay postage, but require prepayment, on orders from individuals. Please allow four to six weeks for delivery. To order this book, or for a copy of our catalog, write:
LibertyPress/LibertyClassics
7440 North Shadeland, Dept. J43
Indianapolis, Indiana 46250

deliberate misimpressions about the Libertarian Party positions on a whole gamut of issues" in order to get media attention (comments of David F. Nolan). There were also some questions as to the legitimacy of political campaigns in general from a libertarian viewpoint in "Ed Clark: Another Kind of Candidate." Those comments would lead me to believe that we should (1) not campaign or (2) not try to win (if it means sacrificing our principles). If we do not try to change the course of the country by political means, we are left either to do nothing but bitch or to rise up in arms against the government. I object to both of those courses of action.

I believe the only viable method to develop a libertarian society is to play within the rules. To try to change everything at once would be a disaster. Take the most critical issues and push them. Save the rest for philosophical debate. Even FDR's brand of socialism wasn't established in one term, much less four. It is nice to be pure, but it is also nice to be successful.

Henry Koether
Denver, CO

Reviews Reviewed

I don't recall that I was surveyed (see Editor's Notes, Nov.), but I fit the pattern: a well-educated, prosperous male who makes investments, orders by mail, and reads books on political economy and how to perform various sports and hobbies.

I depart from the pattern when it comes to reviews of books and movies, both of which I urge you to expand. Because I read no fiction and attend no movies, I depend on reviews for information on these two manifestations of current culture. I particularly enjoy John Hospers on the movies.

Robert C. Lea, Jr.
Philadelphia, PA

How Many Pilots?

In regard to your item "How Many Pilots?" (Trends, Oct.), the lay public might tend to be confused by the "conclusive evidence" of the Boeing study that two-crew airplanes were involved in fewer accidents than three-crew airplanes.

On the face of it, Boeing's conclusion is accurate. Since there are probably at least two to three times as many three-crew airplanes in operation as two-crew airplanes, however, that statistic is not surprising. What are overlooked are the statistics on "crew-related" accidents. (Boeing's study included all accidents; for example, injuries to deplaning passengers.) Since we are concerned with the relative safety of three-crew airplanes vs. two-crew airplanes, is it not logical to concern ourselves only with statistics on "crew-related" accidents?

When we achieve such separation of wheat from chaff, a completely different picture emerges. When only cockpit crew related accidents are considered, the three-crew aircraft show up clearly safer. Covering a decade of experience, the crew-related accident rate (per million departures) was 1.57 on the three-crew Boeing 727 as opposed to 2.10 on the two-crew Douglas DC-9. Additionally, other FAA data show that crew violations of Federal Aviation Regulations are twice as high on the DC-9 as on the B-727. These violations averaged, per 100,000 departures, 1.8 for the DC-9 as opposed to 0.9 on the B-727.

It is not surprising that Boeing would

(Continued on p. 63.)

LUDWIG VON MISES T-SHIRTS

100%cotton. Black on natural. S-M-L-XL. $7.50 postpaid. F.I.O.T. Enterprises, 2007A Round Top Dr., Honolulu, HI 96822.

It's a tough life
if you prefer liberty.

If you work for a living, you are penalized as the state takes part of your production to be used against you. If you establish a corporation to lighten your penalty, you become a rightless franchise of the state. Even the money you use to make exchanges with is a source of oppression; since dollars are little more than U.S. government securities in disguise.

Hence, make your efforts efficient - and you enrich the state; make your corporation profitable - and you expand a government franchise; increase the number of your trades - and you increase your investment in the U.S. government.

Like it or not, every time you move... you contribute to your own oppression.

If you don't like this arrangement and you want to release your efforts from bondage, you should consider

THE FREE MARKET

How to establish and operate a free market business (and, eventually, a free market community).

a lecture series presented by Anthony Hargis Institute.

This course is for everyone who works for a living and who is interested in liberty - it will show you how to be productive and not contribute to your own oppression.

The course begins February 1st, 1981.

For details, send 3 U.S. first-class stamps.

Anthony Hargis Institute
1515 W. MacArthur Blvd. #19
Costa Mesa, CA 92626

brickbats

☐ **They Debated! They Debated!** Those guys really got up there and acted like they were discussing the Real Issues and everything! Honest. It was on all the wire services. And one of them was elected president! So help me God!

☐ **The People's Republic** of San Francisco has banned the popular children's novel *Mary Poppins.* According to the S.F. public library's Joan Dillon, "It's written from the old English view of the 'white man's burden.'...That is naturally offensive." The 1934 fantasy by P. L. Travers, an elderly lady who scratched out all the jive-talk she could find for a new edition issued in 1977, is but the tip of the censor-berg, of course. Next in line are Mark Twain's *Huckleberry Finn* and *Tom Sawyer,* books that gained notoriety on the strength of their unromanticized, honest touch me-feel me portrayals. It is not surprising that such masterpieces, by such a giant (particularly in the area of the now all but debauched "human rights"), should be at the head of the line for the firing squad. So brace yourself, for here come the 'Frisco fanatics, shot full of "consciousness-raising" (*their* euphemism for censorship) zeal, on an idiotic crusade against books "representing a kind of outmoded colonialist, imperialist viewpoint." *Mary Poppins? Tom Sawyer?* Don't these Nazis even read what they censor...or have they, too, cut out the middleman?

☐ **Government housing projects** have led from one success to...yes, you got it!—another (success). In New York City, for example, federal, state, and local slum projects have been so successful (in creating slums just everywhere) that a new breakthrough has been achieved: "The city is spending $50,000 to stick vinyl decals shaped like shutters, shades and flowerpots on the windows of abandoned buildings in a new program aimed at giving vacant eyesores 'the occupied look.'" This is a great solution in neighborhoods where government housing policy is just beginning to work its special magic, but not for others. In the South Bronx, Jimmy Carter's favorite slum and extra special client of federal aid, the new window stickers are not even a possibility. As a spokesperson for the city's Department of Housing Preservation and Development noted, "We'd go through our budget fast."

☐ **The Polish Potentate** has really done it this time, attacking that look of lust...for the li'l wife. While most American women of the married genus only fantasized about such luck, Pope John Paul, Jr., stuck his two-hands distance right in there between 'em, forbidding feelings of "lust" any old gutter-rat filth-bag may harbor for his dearly wed. That sort of thing only turns people into "objects," means to an end, so to speak. The big Catholic ward-heeler from Rome was rudely rebuked, however, from an unlikely source: the women's movement. The very folks who spend 94.3 percent of their waking hours attacking the very same evil of S-E-X (and do more, undoubtedly, by their very physical presence to smash the curse of XX-lust than a thousand papal encyclicals could ever hope to do) sprang into action immediately. They bellowed, why did he not choose to also attack the idea of *fe*male lust? Sexism! Pig! Macho chump! Jockstrap featherhead! (The women's group issuing this plea on behalf of females who look lustily at men resides in Italy. Do not worry about their names or where, specifically, they are located. Your loyal Brickbats columnist is on his way at this very instant to check out the tense situation. I have no doubt I can calm *everything* down. Will report soon...)

ARE YOU IN FAVOR OF THE 4-YEAR TERM FOR CONGRESSMEN?
NAH— MOST OF 'EM DESERVE 5 TO 10....
COST OF POLITICAL CAMPAIGNS SOARING
ABSCAM TAPES

☐ **From** *Social Sciences Quarterly,* er, ah-hum, *Oui* magazine (they're easy to confuse if you read the Braille edition), the following from an interview with your hero and mine, *National Lampoon* editor P. J. O'Rourke:

Oui: Do you have any pet peeves?

O'Rourke: Just safety Nazis.

Oui: What are they?

O'Rourke: Joseph Califano (former Secretary of HEW) was one. Safety Nazis are people who say "safe at any cost." They are today's equivalent of superpatriots. There is no such thing as a safe life—death is going to come regardless. Safety Nazis are the people who are adamantly against nuclear power and cigarette smoking and drinking too much. They're the guys who force themselves to jog thirty miles in the morning and want everybody else to do the same thing. I think it's a loathsome attitude, even if they're right. I mean, I know we shouldn't eat off the floor or subsist on nothing but beef fat. But the safety Nazi has a real coward's attitude..."Oh, you lit a cigarette!"—that sort of thing. I like to think that Califano was thrown out on my advice.

Oui: But doesn't everyone have a creeping safety Nazi in him somewhere?

O'Rourke: Not me. I like to lead a real dangerous life, which is easy for me because I'm a tremendous coward. It doesn't take very much for me to feel threatened. The beginners' ski slope—that's a real thrill.

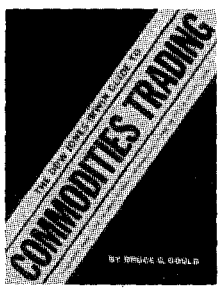
☐ **In yet another blow** to the ideal of democracy, former Sen. J. William Fulbright has endorsed the concept of selecting the nation's president by congressional vote. "Congress should elect the chief executive from among its functioning members," Fulbright said. And just whom would *that* leave?

—Thomas Winslow Hazlett

"... I developed 7 basic methods for trading futures which yield substantial profits. These methods have been tested for several years and have been found to be valid and enduring..." —Bruce Gould.

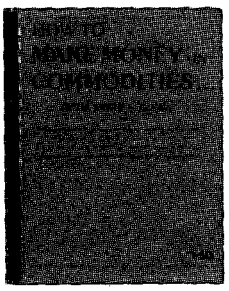
LEARN HOW TO MAKE MONEY IN COMMODITIES...

with these exciting publications written by America's leading authority on commodity trading. Bruce Gould tells you methods for evaluating every market position you take, entering markets with the least risk, and minimizing losses once you have taken a position. Since 1969, Gould has predicted over 60 major profit opportunities.



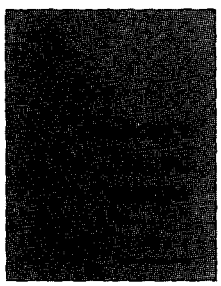
DOW JONES-IRWIN GUIDE TO COMMODITIES TRADING

Written so that the entire market can be understood by a novice without a background in commodities. Gould answers some of the most commonly asked questions about commodities.



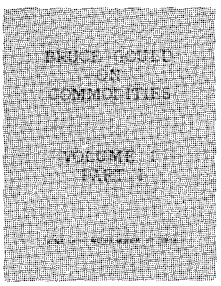
HOW TO MAKE MONEY IN COMMODITIES

Master the techniques of this book and learn the potentials which this field offers and you will never be the same again. Any investment medium which offers profits of the figures you will see in this book cannot help but change you forever.



COMMODITY TRADING MANUAL

Gould gives you the inside story of his personal trading methods, strategies, and techniques that have made him so successful. In addition, each purchaser of this Manual receives FREE the $10.95 "HOW TO MAKE MONEY IN COMMODITIES" book.



BRUCE GOULD ON COMMODITIES

In this newsletter, Dr. Gould discusses current markets and trading techniques which help to keep the reader up to date and aware of any unusual investment opportunities which may be developing. And you receive FREE back issues with your subscription.

PLEASE SEND ME THE FOLLOWING PUBLICATIONS WRITTEN BY BRUCE GOULD

_____ **DOW JONES IRWIN GUIDE TO COMMODITIES TRADING.** **$19.95**

_____ **HOW TO MAKE MONEY IN COMMODITIES** **$10.95**

_____ **COMMODITY TRADING MANUAL.** Note: With each purchase of this manual you receive free the $10.95 HOW TO MAKE MONEY IN COMMODITIES **$65.00**

_____ **BRUCE GOULD ON COMMODITIES**

1 Year (400 pages of back issues FREE) **$285.00**

6 Months (200 pages of back issues FREE) **$150.00**

TOTAL $_____

NAME _____ **CHECK ENCLOSED FOR $**_____

ADDRESS _____

_____

CHARGE MY VISA/BANKAMERICARD/MASTER CHARGE ACCOUNT # _____

Expiration date _____

MAIL TO: **BRUCE GOULD PUBLICATIONS, P.O. Box 16, SEATTLE, Wash. 98111**

trends

Pricing Airports

Last April we reported that the Department of Transportation was getting a lot of flak over an eminently sensible proposal: that the scarce resource of landing "slots" at busy airports during peak periods be allocated by pricing—just like any other scarce resource. Instead of the present procedure in which airline representatives meet (under antitrust immunity) and divide up the slots by committee, an "auction" would be held, and winning bidders would be free to sell their slots to others if they chose.

The first test of this policy is likely to occur at badly congested Washington National Airport (which is owned and operated by the federal government). Late in October the Department of Transportation (DOT) issued a notice of proposed rulemaking outlining three alternatives for dealing with slot allocations at Washington National: the present airline committees, DOT allocation, or a slot auction. The decision will be made by April, and according to *Aviation Week* (Oct. 27, 1980), there are indications that DOT is "leaning toward the auction procedure." If so, we will see yet another step toward returning aviation completely to the marketplace.

San Diego Deregulates Cabs

By unanimous vote, the city council of San Diego has voted to remove the city's price ceiling on taxi fares, thereby completing a process of deregulaton begun a year earlier. In doing so, San Diego joins Seattle as a leader in taxi deregulation nationwide.

The process started in 1979 when the council began allowing the supply of cabs to increase, by issuing 15 new permits each month. The number of cabs has climbed from 411 at the start of that year to 606 in the fall of 1980—nearly 50 percent more. Next came a law abolishing city-set fares, leaving only a ceiling considerably above the market price ($1.50 per mile—actual fares averaged between $1.00 and $1.20). The council's final action, taken in September, removed the ceiling as well, leaving only the requirement that the fare be posted in the cab's window. Cabbies wil be free to charge less than the posted fare.

Elaine Balok, assistant to the city manager who has pushed for deregulation, points out that over the past year cab ridership has increased, and fares have been among the lowest in the state. Needless to say, Balok has been receiving numerous requests for information about the deregulation. Among the cities considering it are Chicago (see Trends, Sept. 1980), where a measure similar to San Diego's was due to be considered November 14 (just after this issue went to press).

Loosening the Tie of Professional Monopolies

The highly regulated professions of medicine and law recently received new injections of freedom in the area of practice. The American Medical Association adopted a new code of ethics for the first time in 23 years. The new code removes all obstacles to physicians' advertising and to their working with chiropractors. The move came about partly in response to legal pressures (the AMA faces lawsuits in both areas) but also, AMA officials say, to discourage some of the paternalism of the old code. A federal appeals court recently upheld a Federal Trade Commission order barring the AMA and local medical societies from interfering with doctors' attempts to advertise.

In California, meanwhile, the state bar board of governors, pending comment from the state bar membership, repealed a rule forbidding lawyers from giving advice on specific legal problems through the news media. This step, if successful, may further the movement to demystify the law. One state bar board member, however, criticized the vote as "another step toward lowering professionalism." The battle is still uphill.

Pill Users, Take Cheer

In an age when almost everything has been accused of being potentially carcinogenic, it is heartening to note the results of a study saying that contraceptive pill users do *not* have a higher risk of contracting certain cancers. The 10-year study was sponsored by the National Institute of Child Health and Human Development and involved over 16,000 women at the Kaiser-Permanente Medical Center in Walnut Creek, California. The final report of the study states that there is no increased "risk of death from all causes combined"—including from cancer of the breast, uterus, and ovary and from circulatory diseases often blamed on the pill—for women who use contraceptives. It did find that women who smoke cigarettes and who are on the pill may increase their risk of heart disease.

Gas vs. OPEC

In the October 1978 issue of *The Freeman* there appeared an article titled "How to Break up OPEC," by Carlos Henkel and Robert Poole. Analyzing the economics of natural gas production and estimates of the gas available from unconventional sources (such as coal-mine methane, geopressurized gas, tight sands, and Devonian shale), it predicted that if price controls were abolished, this country would soon be awash in gas, and OPEC's monopoly would be broken.

Surprise, surprise! The October 1980 issue of *Washington Monthly* has proclaimed that the energy crisis is over—based on the results of natural gas price deregulation. Although the Natural Gas Policy Act of 1978 has thus far only partially deregulated gas prices, already vast new supplies have been discovered. The principal finds have occurred simply by drilling at depths below 15,000 feet (which is economically feasible now that prices have been allowed to rise). But impressive production has now also begun in the huge geopressurized zones of the Tuscaloosa Trench, where the ultimate quantity may be as much as 60,000 trillion cubic feet (TCF). Present annual US consumption is 19 TCF, accounting for one-fourth of US energy use.

So what should Congress do to take full advantage of our new-found gas bonanza? *WM* recommends (1) abolishing all remaining price controls at once, rather than phasing them out by 1985, to spur immediate production, (2) "decriminalizing" natural gas usage, by repealing the 1978 Fuel Uses Act, which prohibits the construction of new gas-fueled boilers and orders present gas-using industries to stop by 1990.

Since utilities and other industries now consume 5 million barrels of oil per day (bpd) and another 4 million bpd are used to heat buildings, conversion of even half of these uses to clean-burning natural gas would eliminate 4.5 million bpd of oil use. The ongoing shift to more fuel-efficient

cars is expected to save another 2 million bpd by 1990. Together, these changes could eliminate 6.5 million bpd out of the present total of 8 million bpd of oil imports, reducing OPEC's leverage to negligible proportions. And reducing the supposed need for costly US intervention in the Persian Gulf, as well.

Marijuana Medication

Robert Randall, the first American allowed legally to smoke the evil killer weed marijuana since the Marijuana Tax Act of 1937, has glaucoma, a blinding disease of the optic nerve. Randall accidentally found that smoking marijuana eases the pain of glaucoma and seems to retard his eventual blindness. After police busted him for growing four marijuana plants, Randall took his case to court and in 1976 won the right to smoke marijuana. Instead of being given back his four plants and allowed to grow his own medication, however, Randall is provided—at taxpayers' expense—70 prerolled marijuana cigarettes a week from the only bureaucracy allowed to cultivate the weed, the National Cancer Institute, through a local pharmacy.

When Randall started looking into the issue, he found that the Food and Drug Administration, the National Institute of Drug Abuse, and the NCI has kept hidden away a mass of supporting data showing that marijuana does reduce eye pressure in glaucoma. Furious, he formed the Alliance for Cannabis Therapeutics (ACT) to lobby for federal (and state) legislation recognizing marijuana as a medicant. "I don't want to be a person who has his sight while others are going blind," he explains and notes that marijuana has been recognized as a medicant in 24 states (he has testified in 15 of those 24 states).

On another front, and after considerable public pressure, the federal government is looking into the use of THC (tetrahydrocannabinol) capsules, a synthetic version of marijuana's psychoactive ingredient, for nausea relief in cancer victims being treated with chemotherapy. Only the feds, Randall scoffs, "would make an oral medication for someone whose basic problem is that they can't swallow." Under a California state-run research program, both THC and marijuana cigarettes will be tested to determine their ability to lessen nausea from chemotherapy. The National Cancer Institute will supply approved pharmacies with cigarettes and capsules for the 3,000 cancer patients and 300 oncologists involved in the research program. The federal government will pay for the cost of the cigarettes, and the patient for the shipping costs, while the state government will

MEMO

TO: All Corporate Executives

Re: Barter Date: 1980's

Remember when businessmen weren't afraid to do business?? When goods and services were exchanged at their value? When executives weren't afraid to look eye to eye and conclude a business transaction with fears of inflation?

Will today's corporate executive.....the one who'll still be an executive tomorrow—Consider a million barrels of crude oil for his corporation's goods and services, or maybe airline tickets, or office supplies, or hotel rooms, or computers, or car rentals????

Keep your operating dollars in your company.

Use your company's goods or services to obtain what your firm needs to operate profitably ***without high interest rates!***

Our company began operating on barter and operates on it today with very low cash overhead.

...From our pocket pagers from Answer Page of Los Angeles, serving all of California.

...To our Corporate Communications Center, Telecom Services International, Inc. The world's most complete telecommunications center.

...To our Corporate Data Service, Quik Data Timesharing, Inc. Los Alamitos, California.

BARTER WORKS!!! Let Barter Worldwide Incorporated be your broker. It costs you nothing until we negotiate the barter for you.

Write and tell us what you need, and what you have to barter or call Toll Free 24 hours a day, 7 days a week for our brochure and application. 800-621-1466 ext. 6085 (In Ill. 800-972-1966 ext. 6085)

Don't wait....the time is now. Bartering avoids inflated dollar exchanges, the more time wasted now, the less profits later. Please call now!!!

Sincerely,

Mike Jeffries
President

Barter Worldwide Incorporated
6575 Green Valley Circle, Suite 112
Culver City, CA 90230

put up $100,000 for administrative costs for the four-year project. Start-up has, naturally, been "indefinitely delayed" due to supply problems at the federal government's end. (Maybe the feds should subcontract the supply quota to local Mendocino marijuana farmers, famous for their superior quality weed.)

While California untangles its research program, however, a three-judge appeals panel in Washington, D.C., recently ordered the government to reconsider its ban on the medical use of marijuana and THC. The move stemmed from a challenge by the National Organization for the Reform of Marijuana Laws (NORML) to a 1979 Drug Enforcement Administration decision to keep marijuana and THC strictly controlled substances.

FTC Joins Opposition to Car Quotas

Federal Trade Commission staff members have joined the US International Trade Commission (ITC) in emphasizing the drawbacks of restricting foreign car imports (Trends, Dec.) saying that Japanese car import restrictions alone could cost consumers $6.6 billion a year. Michael Lynch of the FTC's Bureau of Competition suggested that the US auto industry produce more small, fuel-efficient cars instead.

The cost to consumers would be in the form of higher prices stemming from a 20 percent increase in the current 2.9 percent tariff, proposed by the United Auto Workers union. Ford Motor Company, which joined the UAW appeal to the ITC, suggested limiting car imports to 1.7 million units. The ITC filed its report on Nov. 10, stating that imports are not the major cause of Detroit's problems and should not be restricted.

Justice Goes Private

Can private lawyers and private procedures do a better and less-expensive job of dispensing justice than the public courts? REASON first raised this question in reporting on Carl Person's efforts to develop his National Private Court (Sept. 1978, p. 41). Since then, evidence has been accumulating to support the idea of privatizing certain aspects of the judicial system.

To begin with, the Los Angeles County court system is experimenting with contracting for attorney services. It has long been standard practice for the courts to hire private attorneys to represent indigents in cases where the public defender cannot serve due to conflict of interest or other problems. Paid by the hour, the attorneys had no incentive to operate efficiently. In September 1978, however, a law firm proposed to the Pomona Municipal Court that it be given a contract to handle all such indigent-defense cases for a year—with cost limits built-in. Two months later the county charter was amended to facilitate contracting for services, and the idea began being taken seriously. In August 1979 a request for proposals was issued, to which seven firms responded. And in January 1980, the winning firm signed a contract. During its first eight months the law firm completed 80 cases, at an average charge of $205 per case. During the previous year, the average cost for the 130 similar cases handled by individual attorneys was $800. Thus, the contract is producing savings of nearly 75 percent.

But contracting is only one form of privatization. Since 1976 California companies have been bypassing the crowded courts altogether by hiring private judges to hear complex cases. The advantages? Speed, competence, and low cost. Under an 1872 law, California courts can appoint anyone they deem qualified as a "referee" to try any and all issues in a civil action—a provision apparently unique to California. Accordingly, the courts are now appointing retired judges to hear complicated cases, with the consent of the litigants. Los Angeles attorney Hillel Chodos, who lost the first such case in 1976, told the *Wall Street Journal* (Aug. 6, 1980) that he uses a private judge "whenever I can.... It has saved 80% of the delays, 80% of the legal fees, and 80% of the aggravation" of the public courts. Another plus is secrecy—NBC and Johnny Carson used a private judge to settle their 1979 contract dispute.

Even outside California, businesses are turning to private judges—by staying outside the courts altogether. The nonprofit Center for Public Resources in New York has published a manual showing firms how to use the technique, called a "minitrial," based on cases they have studied. According to CPR, the key is to select an expert third party who acts more as an advisor than a judge, and to have each side represented by a top management official. Simplified rules of procedure are agreed to in advance. TRW and Telecredit, for example, settled a major patent dispute in this fashion in just three months, saving perhaps several years and at least $1 million in legal fees. The private settlement route has been taken in patent, antitrust, unfair competition, and contractual claims cases, according to CPR. A federal judge in Hawaii has adopted the minitrial for use in a patent case, and one attorney experienced in its use thinks that, if minitrial users adopted federal rules of procedure and evidence, the movement would really take off.

Not everyone is pleased with these developments. In an Oct. 20, 1980, editorial, the *New York Times* called the trend toward privatized justice "quick, secluded, efficient—and repugnant," seeing in it a threat to "the very concept of an egalitarian society." Ever the apologist for the State, the *Times* is quick to recognize the significance of these developments.

Expanding TV

For years critics have maintained that we've been stuck with only three TV networks because of the restrictive policies of the Federal Communications Commission—beginning with its allocation of (typically) only three or four channels in many of the top 100 markets and continuing with its (until very recently) severe restrictions on cable- and pay-TV systems. And now the FCC itself agrees! In accepting the results of a three-year task force study of the television networks that reached these conclusions, Chairman Charles Ferris endorsed the findings and asked the free-market-oriented task force to list the specific changes that would get the FCC out of the way of real TV competition.

Without waiting for the answers, the FCC continued its efforts in that direction. In September it issued two proposed changes aimed at expanding broadcast television. The first, adopted unanimously, would permit entrepreneurs to set up low-power ministations in both VHF and UHF bands. (By operating at low power the stations would avoid interfering with conventional stations in or near the area.) As many as a thousand ministations could be set up under the proposal, bringing new service to neighborhoods in urban areas and to rural areas previously lacking TV. A week later, by a vote of 4 to 3, it decided to reduce the minimum distance required between conventional VHF transmitters (channels 2-13), so long as directional antennas or other techniques are used to prevent interference. This move would permit up to 140 additional VHF stations around the country, possibly leading to creation of a fourth TV network.

In October the FCC released for public comments yet another proposal to expand TV competition. The document is a set of staff recommendations on the subject of direct broadcast satellites—such as those being planned by Comsat's Satellite Television Corp. and by Sears, Roebuck & Co. The staff has proposed that such satellite service be exempt from FCC controls—including the "fairness doctrine," limits on advertising time, and the require-

ment for "public service" programming. Chairman Ferris agreed, telling reporters that the future of direct broadcast satellites "should be decided by consumer demand and the capability of the technology and not by the cost of regulaton."

Direct broadcast satelites would be much more powerful than conventional communications satellites, enabling the receiving antenna to be only two or three feet in diameter and to cost perhaps $200—compared with today's 10-foot dish antennas. Just a few years ago the latter sold for well over $100,000. Today, sophisticated dishes are available for $25,000, and economy models are available for as little as $5,000 (American Value, Inc.), $3,000 (Black and White Enterprises, Ltd.) or even—according to *Coop's Satellite Digest*—$500. An estimated 40,000 Americans already own their own dish antenna.

This new technology hasn't escaped the notice of the public TV folks. Officials of the Corporation for Public Broadcasting (CPB) are negotiating with Comsat for a piece of its direct broadcast satellite plan. A consultant to CPB has proposed that it experiment with subscription service, rather than depending on tax money and donations. Indeed, the major public stations which produce programs—WNET, WGBH, KCET, etc.—are all talking with Home Box Office and Showtime about joint efforts in pay-TV programming. And the prestigious Carnegie Corporation recently proposed that public broadcasters set up their own satellite-based pay-TV system, called PACE, and get off the dole once and for all.

Regardless of how all these proposals turn out, one thing seems clear: five years from now, TV is going to be very different from the "vast wasteland" we've long been accustomed to.

Underground Swells in the Economy

The underground economy, reports Edgar Feige, is *not* 10 percent of the gross national product (GNP); it is 27 percent! Feige, an economist at the University of Wisconsin, puts that at about $700 billion. But it is the *growth* of the underground economy, he adds, that is most impressive. In the last 10 years, according to his complicated calculations, it has expanded at roughly triple the rate of growth of the official GNP.

What are the implications of such data? First, that untaxed productivity is higher because the reward per hour of work is higher. But also, hallelujah, that the American economy is not as sick as the official government thermometer would have it. Feige further thinks that prices in the "unobserved economy may be as much as 20% to 40% lower than in the observed sector." Unemployment may similarly not be as big a problem as it appears to be on the tip of the iceberg.

Unfortunately, Feige points out, the official bleak picture often prompts government policymakers "to overstimulate the economy." Incidentally, $700 billion—the figure Feige puts on the underground economy's "GNP"—is larger than, for instance, the official GNP of France.

What about Acid Rain

According to the 1979 annual report of the Council on Environmental Quality, acidity in rain has increased fiftyfold over the past 25 years. In October, Canadian officials began a $430,000 program to supply departing US tourists with literature on the theme "Stop Acid Rain." And the federal Environmental Protection Agency is considering new controls on power plant emissions aimed at curbing acid rain.

According to many scientists, however, these contentions may be off base. First of all, there is no sound evidence that acidity in rain has actually increased over the past few decades. Detailed pH measurements at several dozen recording stations over the past eight years show no apparent trend, according to Ralph Perhac, director of the environmental assessment de-

Now--show your support for the new spirit in America...proudly wear the "Go America" pin.

"Go America" people are those Americans who aren't ashamed to be called flag wavers. They're *proud* to be Americans and don't apologize to anyone for what America has accomplished at home and throughout the world.

Beautifully sculptured in fine detail, your "Go America" pin is executed in genuine pewter--the metal that is so much a part of our American tradition. It tells everyone you meet that you don't think patriotism and faith in American principles are old-fashioned.

Order Yours Today. Just complete the order blank below and return it with $3.95 (includes shipping and postage charges). If you prefer, the "Go America" pin is available at a discount for 2 or more...*just $3.50 each.*

But, whether you decide on one deluxe pewter pin for yourself or more for your friends, do order today. The sooner you order, the sooner you'll be wearing your "Go America" pin and telling the world that you support the new spirit of America.

Please forward my "Go America" pin as soon as possible!

I prefer _____ One Deluxe Pewter Pin @ $3.95

_____ Deluxe Pewter Pins @ $3.50

Enclosed is my payment of $_____. I understand that if I am not completely satisfied, I can return my pin within 30 days and my money will be refunded.

Name _____

Address _____

City _____ State _____ Zip _____

Mail To: "Go America" Company
3924 No. 90th Street
Omaha, Nebraska 68134

ALLOW 3-6 WEEKS FOR DELIVERY.

partment at the Electric Power Research Institute. The 25-year comparison made by the CEQ is essentially meaningless, because there were no *measurements* in the 1950s, only *estimates.* And in the 1960s, many of the readings were taken at different locations and are therefore not comparable (and hence cannot establish a trend over time). In addition, the burning of coal—considered by many as the likely source of the acidity—has remained essentially constant over the past 20 years, so it could not be responsible for an increasing-acidity trend.

But the most confounding evidence comes from two University of New Hampshire scientists. Pauy Mayewski and Barry Lyons collected 80 ice core samples from Antarctic glaciers, some dating back as far as 350 years, and another 250 samples from 16,000-foot altitudes in the Himalayas. In neither place has the ice melted for thousands of years. In both cases, the pH readings were comparable to those considered "acid rain" in the United States, averaging 5.1 in the Himalayas and from 4.8 to 5.0 in Antarctica. Apparently, something other than coal-burning has been producing acid rain for centuries.

The CEQ itself has recently begun a 10-year, $10 million research program on acid rain. It would be prudent for legislators to refrain from considering costly new regulations until the facts are all in.

Jamaica, Portugal: Socialism Loses Glamour

Voters in two countries have shown their disillusionment with the impossible promises of socialism by electing free-enterprise-oriented candidates.

Jamaica's socialist People's National Party, headed by former prime minister Michael Manley, pet of what *Wall Street Journal* writer George Melloan calls America's "liberal cocktail circuit," was thoroughly thrashed by Edward Seaga's pro-free-enterprise Jamaica Labor Party in October. Seaga's party won 50 of the 60 seats in Jamaica's elected lower house. Despite the fact that at least 450 people from both sides had been killed in election-related violence, news reports say that a large number of Jamaican voters turned up at the polls.

Manley lost what support he had among middle-class and professional Jamaicans by publicly scorning any signs of wealth (such as owning a car or a house), raising taxes to 57 percent on personal income above $12,000, expropriating private property, and encouraging violence against more well-off "oppressors." Unemployment stood at 30 percent when the elections were held in late October, and the government was having great difficulty meeting any loan payments. Manley had also encouraged friendship with Cuba and was charged with allowing Cuban political indoctrination to go on in Jamaica. Seaga has not made any concrete proposals thus far, but he may be able to attract foreign investment and professionals back into Jamaica.

In Portugal, on the other hand, recently reelected Democratic Alliance leader and prime minister Francisco Sa Carneiro is very clear on what he intends to do. Although Sa Carneiro prides himself on being a "nonideological pragmatist," he does intend to do away with the Marxist ideology in the present Portuguese constitution, written after the revolution six years ago. He plans to redefine public and private ownership of property and to open certain currently nationalized industries (such as steel, banking, oil, and insurance) to private participation. He also hopes to eliminate the Revolutionary Council, a group of powerful military overseers, which has thus far stymied his attempts to denationalize state industries. If his candidate for president (Gen. Soares Carneiro) did not win the presidential elections in December, however, Sa Carneiro has publicly stated several times that he will step down as prime minister. The results of the Carneiro-Eanes presidential elections should be out about the time you read this issue.

The Democratic Alliance, after nine months as the majority party in Portugal's 250-seat parliament with 128 of those seats, won at least six more seats in the October parliamentary elections (47.3 percent). The Stalinist communists lost seats, while the Socialist/Republican front, once Portugal's largest party, made no gains or losses.

Regulatory Reform Legislation

Three major legislative reforms were up for discussion late in 1980, and one of them actually passed.

HR 5612 allows small businesses and individuals to recover legal costs if they challenge federal rules in court and win. The bill requires the government to reimburse such private citizens if the government is unable to prove to the satisfaction of the court that it was "substantially justified" in taking its actions. Much of the impetus for the bill came from members of the US Chamber of Commerce, which also pressured President Carter into signing the bill.

The proposed legislative reforms would (1) give Congress the right to reject regulations drawn up by federal agencies and (2) transfer the burden of proof to federal agencies to justify challenged actions as proper under the law. The first proposal is known as the legislative veto and would allow both houses or the president to reject any agency regulations *before* they are issued by the agency. The second, the so-called "Bumpers' Amendment," after its sponsor, Sen. Dale Bumpers (D-Ark.), requires an agency to prove with "substantial evidence" the validity of its actions. Currently, agency actions are presumed valid unless shown otherwise. The White House has opposed both proposals in the past, but they were due to come up in the November session of Congress as part of omnibus regulatory reform bills S 262 and HR 3263.

Of Doctor Shortages and Surpluses

Not content with manipulating the economy, the government has been attempting also to control the number of doctors who graduate from medical schools each year. In the 1960s, the government pumped money into medical schools to try to alleviate a shortage; now, it has been recommended that the government *do* something to stem a projected surplus.

"Something" could include less government grants to universities, stricter licensing and entry laws (particularly of foreign medical school graduates), and control of which specialists are allowed residencies. Dr. Alvin Tarlov, head of a government commission named by HEW secretary Forrest Matthews five years ago to study graduate school enrollments, recently recommended slashing medical school enrollments by one-fifth. No doubt the American Medical Association will support Tarlov's recommended barriers to entry, even though Tarlov has admitted that the presence of more doctors has helped to provide more services in inner cities and rural areas.

A Rand Corporation study, however, has taken a refreshingly different view of the situation. Published in the *New England Journal of Medicine* late in 1980, the study concludes that smaller towns and cities have benefited from the trebling of the number of specialists between 1960 and 1977. The authors of the report studied the five largest specialties—internists, surgeons, pediatricians, obstetrician/gynecologists, and radiologists—and found that by 1977 all five were represented in 70 percent of communities of between 20,000 and 30,000 population. In 1960, less than 30 percent of those communities had all five specialists present. Supply and demand forces prevail in medicine as well as other fields, the

BETTER SAFE™ THAN SORRY!

At last — a way to keep your hidden assets safely hidden.

Considering the sad state of world politics and the American economy, you have every reason to keep your hard-earned valuables right at home — where you can instantly lay your hands on them.

Unfortunately, what you can lay your hands on, a robber can lay his hands on. Professional thieves (even determined amateurs) are relentless in their pursuit of other people's private property. The cleverest hiding places, the most formidable safes, have proven tragically vulnerable.

Attics, bureau drawers, laundry hampers, the backs of paintings hollowed out books, fake wall plugs — all are easy pickings to the practiced thief.

Worst of all, perhaps, is the so-called "safe". An archaic device of hinges, steel, and tumblers that shouts like a billboard, "Here it is! Here's the money, the precious metals, the jewels, the stocks and bonds! Open me if you can!"

And they can! Just read your daily newspaper. Home safes, office safes, safes in stores and even banks open wide before the relentless tide of plunderers who find it so much simpler to steal what's yours rather than earn their own.

The only safe that's really safe is the one nobody can find.

We'd be the first to admit that the idea behind the Better Safe is not new. People have been burying their valuables (and keeping them buried) since the days of Cheops and Captain Kidd.

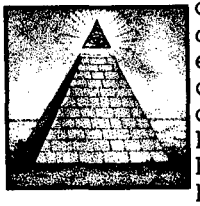
What is new about the Better Safe is the execution of the idea. A waterproof, corrosion proof, resealable container that can withstand pressures of 2,000 pounds per square inch. Made of a high technology industrial material, the Better Safe is impervious to insects, rodents, rust, and caustic chemicals. It is truly a space age advance over tin cans, jars, metal boxes, and plastic bags.

So much peace of mind for so little money.

Unlike expensive wall or floor safes, a 3"×8" Better Safe. — large enough to safely hide 80 coins — costs just $18.95. Our 4"×8" model, capable of storing over 15 pounds of silver, is only $24.95. A fraction of what a conventional safe would cost. And a far more certain method of knowing that your valuables will always be available . . . whenever you decide you need them . . . in the same condition they were when originally stored.

Simple, secure, and secret.

To fill the Better Safe with your valuables, just screw down the lid, tighten with a wrench, and bury the entire capsule in a spot known only to you. Even in a small backyard, the possible locations and depths you might choose are virtually infinite.



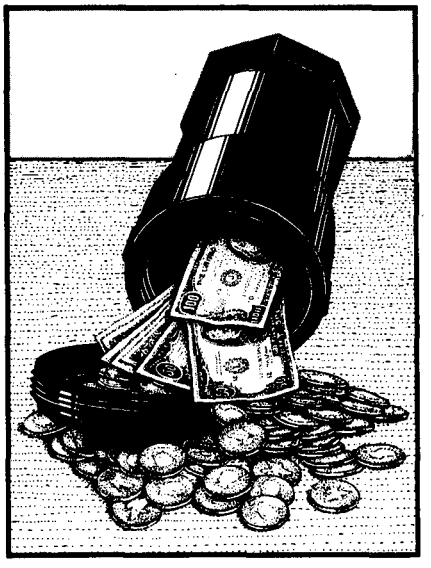
With a Better Safe , you can store brilliant uncirculated coins, priceless jewelry, cash and documents with complete confidence. And they will always be accessible.

Bank closures? A federal freeze on public assets? They can't touch you. Because the key to your financial survival is never more than a few steps away.

No risk. And no breach of security.

Naturally, your satisfaction is guaranteed. If you're not completely satisfied that a Better Safe is one of the smartest purchases you have ever made, simply return it within 10 days for a full (and prompt) refund.

As an added measure of security, all records of your purchase will be destroyed as soon as the order is filled. No one will know that you own a Better Safe . Including us.



It's difficult (if not impossible) to predict the future. But it doesn't take a clairvoyant to see hard and rocky times ahead. If you're as concerned as many people we know, then fill out and mail the coupon below. And do it now, while there's time.

Because no matter what the future holds, one thing is sure to be true. **Better Safe™.....than sorry.**

QUAN.	SIZE	PRICE	AMOUNT
____	A-8"×4"	$24.95ea.	$_____
____	B-8"×3"	$18.95ea.	$_____
____	C-6"×2"	$14.95ea.	$_____

Enclosed is payment in full $_____

BETTER SAFE™
BOX 428
DUFUR, OREGON 97021

Name _____

Address _____

City _____

State _____ **Zip** _____

authors concluded, since the increase in supply of specialists forced them to go where the demand is.

The researchers further pointed out that the supply and demand model is bolstered by the fact that physicians in metropolitan areas (over 1 million population) work 7-9 percent fewer hours and earn about 13 percent less than do their country cousins. The researchers are Dr. William B. Schwartz, professor of medicine at Tufts University in Boston, and Rand economists Drs. Joseph Newhouse, Bruce Bennett, and Albert Williams.

And Now, Bus Deregulation

In a speech before the American Bus Association in October, Interstate Commerce Commmission Chairman Darius Gaskins announced a proposed package of free-market-oriented reforms that he hopes to implement soon. Among these are the introduction of legislation on intercity bus service freeing entry into the bus business to more comers, giving bus companies more room to raise and lower fares, reducing state authority over bus operations (including allowing bus companies to drop money-losing lines), and working to eliminate price fixing between companies, currently protected from antitrust laws. Gaskins warned the bus company executives that they could not have more control over setting fares and abandoning routes without also conceding that entry and fare setting be open to competition.

Spilt Milk and the Dairy Lobby

In 1980, government spending broke another record. The US Department of Agriculture's taxpayer-funded dairy price support program cost an unprecedented $1.3 billion; government dairy purchases had hit their highest volume since 1962. Milk production, naturally, was also expected to hit a record 127 billion pounds despite lower consumption of dairy products.

The USDA announces the price at which it will buy all surplus milk twice a year, and this price effectively becomes the floor for market prices. At the same time, regional dairy cartels pay milk-rich areas (such as Wisconsin and Minnesota) *not* to ship their surplus milk to milk-short areas—the money comes from the regional "standby pools" set up precisely for this reason.

But when the government announced its latest biyearly automatic price support boost of six percent, some rumblings were heard from an unusual alliance of consumer groups, restaurant chains, and more moderate farm groups. PepsiCo, Inc.'s Pizza Hut division complained, for instance, that the price support hike will cost them $3.6 million a year more for cheese. The liberal lobbying group Common Cause has met with PepsiCo but had not decided whether to support the group as of press time. Such big food users and producers as Marriott Hotels and Sara Lee are considering joining PepsiCo's fight against the formidable dairy lobby.

That lobby has spent over $2.3 million since 1976 to convince members of Congress to vote in their favor. In 1976, furthermore, the dairy lobby's ratio of contributions to congressional incumbents over challengers was 7.3 to 1 (labor's ratio is 2.9 to 1). For more details on the dirty doings of the dairy lobby, read Michael McMenamin and Walter McNamara's new book, *Milking the Public,* which grew out of McMenamin's March 1976 REASON article exposing the milk monopoly.

Election Sets Back Big Government

The Reagan landslide carried over to various measures attacking big government in a number of states—but there were notable exceptions. The biggest wins were the victory of Question 2 in Massachusetts (limiting property taxes to 2.5 percent of market value, necessitating cuts of 30-40 percent), a tax and spending limit in Missouri, and full indexing of the state income tax in Montana. Minor victories included an Arkansas constitutional amendment blocking a court-ordered reassessment which would have raised property taxes, Question 8 in Nevada—the first step in repealing the sales tax on food and the personal property tax, a West Virginia measure expanding property tax exemptions, and an increase in Louisiana's homestead exemption to the first $75,000 in value of one's home.

But in six other states, measures patterned after California's Proposition 13 went down to defeat. Generally, these constitutional amendments would have rolled back assessments to 1977 or 1978 levels and limited property taxes to one percent of market value. Such measures lost in Arizona, Michigan, Nevada, Oregon, South Dakota, and Utah.

Earlier last fall Florida voters approved a mixed bag of constitutional amendments, three helping taxpayers (solar equipment exemption, local tax breaks for new industry, elimination of the business inventory tax) but two hurting them (housing bonds supported by taxes, and a complicated proposal to increase homestead exemption *and* reassess property to 100 percent of market value—a net tax increase in most cases).

At the local level, advocates of rent control lost two big ones when voters in San Diego and Seattle rejected their proposals by three to one and two to one, respectively. And the newly elected conservative majority on the Los Angeles County Board of Supervisors vowed a speedy repeal of that county's rent control ordinance. In Cleveland, voters rejected a 33 percent boost in the city income tax.

Finally, at the national level the election proved a rout for the big spenders. Twenty members of the House who qualified as "big spenders" according to their National Taxpayers Union ratings went down to defeat, as did six big-spender Senators.

Freeing DNA

Federal control on recombinant DNA ("gene-splicing") research and production is gradually decreasing. On September 25, the Recombinant DNA Advisory Committee of the National Institutes of Health announced that it would no longer require companies to submit for review their plans to scale up their production facilities. The move gives a green light to firms such as Eli Lilly (which is producing insulin) and Genentech (planning to produce interferon) involved in producing pharmaceuticals using gene-splicing techniques. The NIH committee proposes to review only the research for which safety requirements are not clear (about three percent of all cases).

Most other federal restraints on such work—originally imposed at the suggestion of the researchers themselves, as a precaution until more was learned—were dropped earlier in 1980 (see Trends, May). And the several bills introduced in Congress to establish some sort of regulation have gone nowhere. Nevertheless, certain labor unions and environmental groups continue to agitate for controls. In response, OSHA is gearing up for a two-year study of the situation. That should give the fast-developing industry plenty of time to demonstrate that its own local biosafety committees are adequate to the task.

Blacks, Women: Privilege versus Progress

Two interesting developments in the matter of those the liberals love to dub "oppressed": women and blacks.

A new study sponsored by the National Bureau of Economic Research and prepared by economists Jacob Mincer of Columbia University and Haim Ofek of Col-

gate University looked at women who return to work after interrupting their careers to be homemakers or raise children. They not only earn a lower real wage than before they left, but they tend never to catch up to their original career potentials. Mincer and Ofek suggest that the erosion of business skills while a woman is not working hampers her future progress more than any other cause. Their findings lend support to the hypothesis that it is less experience that leads to statistics showing women averaging lower earnings than men. Social scientist Thomas Sowell pointed out in a recent REASON interview (Dec.) that the only real difference in income is "between married women and all other persons," partly due to that difference in skills, but also because a married woman tends to *support* a man's career by handling most other chores for him—domestic, secretarial, and child-related, for instance—and is therefore actually also earning part of his paycheck.

Another of Sowell's *bêtes noires*—affirmative action quotas—has come under fire from civil rights leader Bayard Rustin. Calling admissions and employment quotas "basically undemocratic," Rustin advised blacks and other minorities fighting discrimination to depend on individual court suits rather than across-the-board government guidelines. He pointed out that the black person, contrary to popular myth, does not want to be granted special privileges—"He wants to pass the test and meet the standards." Rustin made his remarks at the Washington Hebrew Congregation's Sunday Scholar Series.

Milestones

• *Swiss End Restrictions.* All restrictions on holding and earning interest on Swiss francs in Switzerland were revoked on August 31. This was after the negative interest penalties on nonresident Swiss franc accounts of over 100,000 SwF had been lowered from 40 to 10 percent and then removed (Trends, Mar.).

• *Government Game.* The object of a new controversial board game called "Public Assistance" is for players ("able-bodied welfare recipients") to avoid the "working person's rut" (taxes, dental bills, car repairs) by stealing hubcaps, having illegitimate children, gambling, prostitution, and the like. An NAACP official, Carl Snowden, has called it "overtly racist"(?) and may lead a boycott of stores that carry the game.

• *Taiwan Trade.* Amidst all the official brouhaha and agonizing over "recognizing" China versus Taiwan or vice versa, private trade and unofficial relations have gone on quite satisfactorily—up, in fact, by 23 percent in 1979, to $9 billion. An informal, unofficial American Institute maintains quarters in Taiwan to iron out trade and diplomatic problems, and it has been so successful that the French and Belgians have opened similar offices, and West Germany is reportedly planning the same.

• *Noise Is Nuisance.* The US Supreme Court left standing a ruling that grants residents of Westchester, California, an award of $86,000 for nuisance damages caused by noise from the Los Angeles International Airport, to be paid by the city. The decision opens the way for progress on similar suits either filed or contemplated in San Diego, San Francisco, Burbank, and Orange County. The suit was filed in 1968. Who says you need regulators?

• *Polish Reforms.* Nine government trade unions have pulled out of the official government umbrella Central Council of Trade Unions, and 14 more have indicated they will also withdraw from the 23-member Council. Government unions have been losing members to the new independent unions, so the withdrawals may be an attempt to reform government unions and thereby keep their members, who are unhappy also with the hard-line, government-controlled Council. The Warsaw Provincial Court has granted legal status thus far to 12 of the new unions (Trends, Dec.).

• *Protection for Reporters.* The new Privacy Protection Act of 1980 prohibits unannounced searches of newsrooms by federal, state, and local law enforcement authorities except in four situations: when there is reason to believe the reporter is the criminal; when seizure is necessary to prevent death or serious injury; if the materials would be destroyed, concealed, or altered if a subpoena were issued; and if subpoenaed materials have not been produced.

• *Business Most Trusted.* A *Los Angeles Times* poll showed that those polled have more confidence in business (41 percent) than in labor (32 percent) or government (15 percent). The group with the highest standards of honesty and integrity, the respondents believe, is labor (31 percent), business (24 percent), and lastly government (17 percent). Respondents also agreed that government should have its power cut back for the good of the country (43 percent), while 20 percent thought labor's power should be cut back, and only 17 percent pointed at business. The *Times* commented that these and other responses show a public unlikely to support government planning as a substitute for business decisionmaking.

• *Gold Standard Bill.* Sen. Jesse Helms (R-N.C.), with cosponsors Sens. Barry Goldwater (R-Ariz.) and James McClure (R-Id.), introduced legislation late in 1980 to provide for a US gold standard. Helms said he is "indebted to Prof. Arthur Laffer...for his work outlining the way that a new gold standard would be...adopted by our nation." The Helms bill is based on Laffer's gold standard plan (Trends, Aug.).

— **Robert Poole, Jr., and Christine Dorffi**

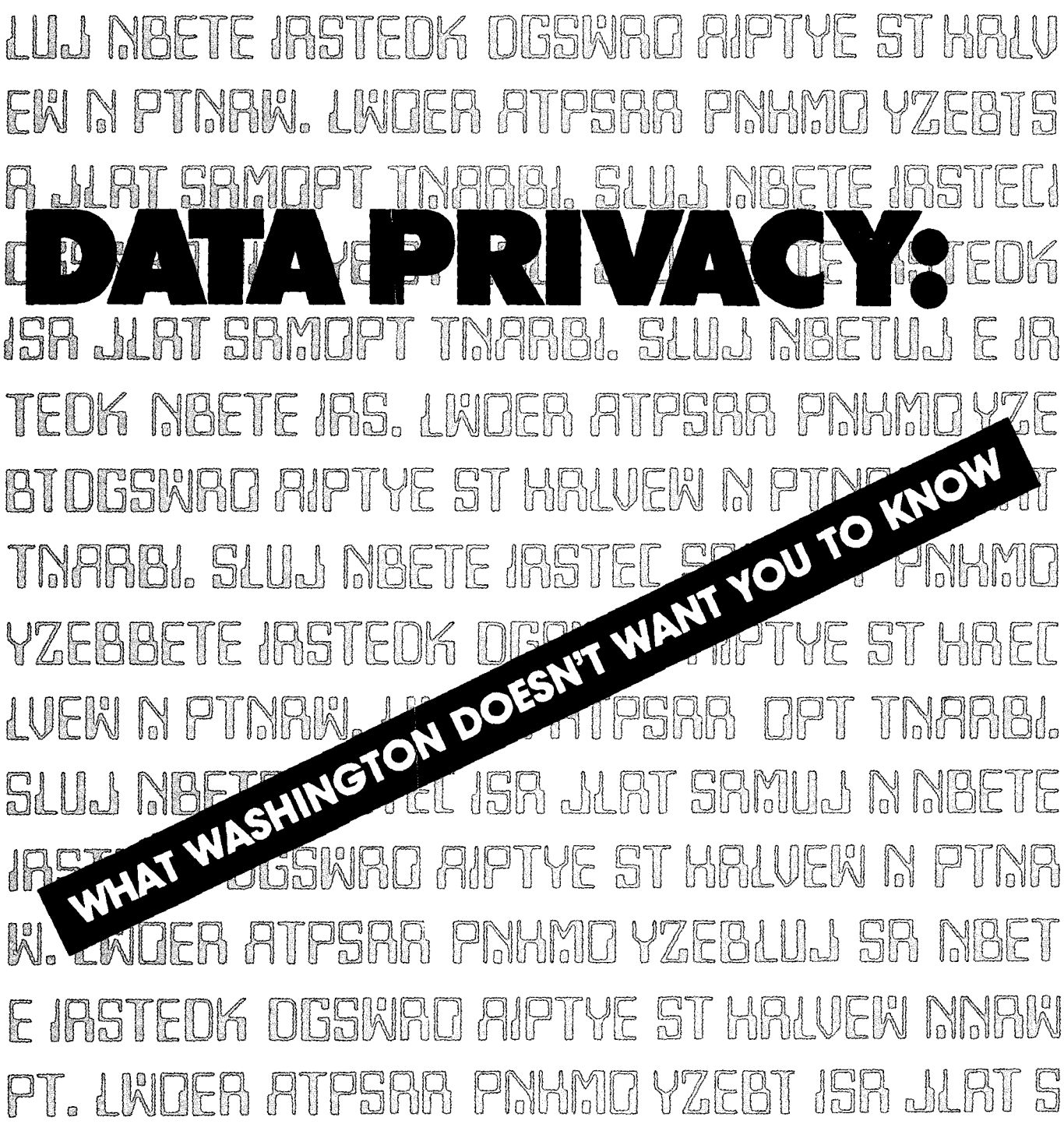
INVESTMENT OPPORTUNITY

Our new telephone scrambler is now in the laboratory prototype stage. We wish to mass-produce it in 1981. Send $25.00 for a demonstration tape.

CRYPTEXT CORPORATION

P. O. Box 425
Northgate Sta.
Seattle, WA 98125

(206) 364-8585



DATA PRIVACY:

WHAT WASHINGTON DOESN'T WANT YOU TO KNOW

New, unbreakable codes offer people true communications privacy, for the first time. But the government is fighting to keep this amazing technology for itself.

By Sylvia Sanders

"Most of the NSA section heads know nothing about technology—just politics. Their thinking style is more that of master psychologists than technologists."

For the name of the game today in information and communications is electronics. It is this that underlies the NSA's use of patent secrecy orders and similar tools to limit the availability of communications security devices. And the NSA is working to obtain more power—to have a larger say in the government's funding of cryptographic research and to be able to classify the results of any cryptographic research. If it can't keep a tight rein on communications security outside the government, reasons the NSA, it will be unable to carry out its mission: to provide for the national security by conducting signals intelligence and cryptanalysis.

On the other side of this issue is a handful of inventors and researchers who are concerned that their rights to free speech and due process are being stepped on. They see their work as no threat to the national security but rather as a tool for the protection of individual privacy.

The shape of our future depends on how the issue is resolved. Will individuals control access to information, or will government—or is there some middle ground? *Does* the NSA need to limit communications security in order to provide for national security? If so, must individuals write off any hope of truly protecting their privacy in an electronic age? Or are the new developments so important and so hard to control that government must concede that the old ways of intelligence gathering are largely a thing of the past?

ELECTRONIC REVOLUTION

It used to be that to communicate with people you either talked with them face-to-face or you sent them a written message. If the message had to be kept secure, you perhaps wrote it in code or sent it via a trusted courier. Whatever information you needed to store was also in written form. If you didn't want it snooped at or stolen, you locked it up in a safe.

Beginning in 1850 with the introduction of the telegraph, all that changed. At an accelerating pace, we have come to rely more on electrons and less on paper and pen for conveying and storing information. Today there is scarcely a home in the United States that doesn't have a telephone, radio, and television and scarcely a person whose vital statistics and more are not a part of many computer data banks.

Unfortunately, electronic communications and data are particularly vulnerable to eavesdropping and tampering. Telephone wiretapping, for example, is easily accomplished. And physical wiretapping is becoming obsolete as an increasing amount of telephone traffic travels over microwave radio circuits. Although the equipment to intercept such transmissions is expensive, it is available. The Russians, for example, have used their Washington embassy, their San Francisco consulate, and their New York offices as bases for intercepting microwave transmissions.

Data in computer-readable (digital) form is even easier to snoop on than voice communications. It can be scanned for particular items—phone numbers, names, words, or phrases, for example. And it can be altered as well as tapped, by anyone with sufficient information about how the particular system works, providing growing opportunities for computer crime—for example, embezzlement (shifting funds from other accounts to the criminal's), fraud (entering false information to make a company look good, thereby raising the price of its stock), and theft of data (gaining access to industrial secrets, marketing plans, etc.).

Understandably, businesses are creating a growing demand for secure communications and data storage. Banks with Electronic Funds Transfer systems need to protect themselves against theft. Financial, personal, and medical information in data banks needs protection. Electronic sabotage must be defended against. Confidentiality and authenticity of messages—by phone or electronic mail—must be assured. Cable-TV networks using satellite transmission need to thwart pirating of their programs by unauthorized users. Mineral and oil exploration firms can't afford to let their competition know their plans and findings. The list of needs for encryption of information is nearly endless.

CODES FOR COMMONERS

Fortunately, the same electronic revolution that has made possible advances in information collection and processing has also provided increasingly sophisticated means of ensuring data privacy. The age-old method of

THE TERMINOLOGY OF SECRETS

- **Cryptography** (from the Greek *kryptos* hidden + *-graphia* writing): the science of transforming data or messages (plain text) into a "secret" or *secure* form that is unintelligible to anyone but the intended receiver.
- **Encryption** (or enciphering or coding): the process of transforming information into secret form.
- **Decryption** (or deciphering or decoding): the process of turning the encrypted information back into readable form.
- **Key:** the specific transformation system used to encrypt or decrypt a message.
- **Cryptanalysis:** the science of decrypting a secret message or breaking a code without the key.
- **Cryptology:** cryptography and cryptanalysis.

Readers who are interested in learning more about cryptography may want to look at *The Codebreakers: The Story of Secret Writing,* by David Kahn (Macmillan, 1967), for history, and "Privacy and Authentication: An Introduction to Cryptography," by Whitfield Diffie and Martin E. Hellman, in the *Proceedings of the IEEE,* March 1979, for an introduction to contemporary cryptography.

SECRECY ORDER

You are hereby notified that your application [for a patent] has been found to contain subject matter, the unauthorized disclosure of which might be detrimental to the national security, and you are ordered in nowise to publish or disclose the invention or any material information with respect thereto . . . in any way to any person not cognizant of the invention prior to the date of the order . . .

The inventors were shocked. Working after hours and weekends in a garage laboratory in Seattle, funded out of their own pockets, Carl Nicolai, William Raike, David Miller, and Carl Quale had developed plans and prototypes for a new type of voice communications scrambler.

It had all started back in 1960, with an article in *Analog* magazine by Alfred Pfanstiehl suggesting that a new mode of transmitting signals through the electromagnetic spectrum could provide communications security. In traditional schemes, the receiver can easily tune in to the transmitter—for example, you only need to know the station's frequency to catch a radio broadcast. But in the technology described by Pfanstiehl, both transmitter and receiver would use pseudorandom wave forms (instead of the traditional sine waves), and only those with the exact, synchronized pseudorandom code could communicate.

Carl Nicolai was intrigued. He convinced the others to join him in developing an application of Pfanstiehl's idea, and the result was their Phasorphone—a voice scrambler offering a moderately high degree of security for CB and Marine Band radio that could be modified for use on telephones also. With several companies expressing interest in the product, in October 1977 the inventors applied for a patent. And they waited. Nearly six months later, in April 1978, the word came.

There was no explanation of who had ordered secrecy imposed on the patent application, or why. They turned to their patent attorneys. Although the order had come from the Patent Office, they learned, it had been decreed by an arm of the government called the National Security Agency. The attorneys began a slow process of communication with the NSA, attempting to get the order lifted or at least find out why it was imposed.

The penalty for violation of a secrecy order is two years in jail, a $10,000 fine, and loss of the patent. The inventors' attempts to begin marketing the Phasorphone were stopped cold.

They found someone to represent them directly in Washington, D.C.: Peter Olwell, a consultant who for many years had edited a newsletter on the civilian reactor program and had learned the ways of government agencies. The inventors wrote to the Patent Office requesting the necessary permit to disclose information about the patent to Olwell. And they waited—an uneasy period confused by word from the Patent Office that it was the Department of the Army that was responsible for the secrecy order. Olwell was later to learn from government files that the Army representative who had looked at the patent actually advised *against* secrecy and that the NSA was indeed the responsible agency. The inventors were growing understandably paranoid.

With efforts by Olwell and their patent attorneys showing no progress, Nicolai's group felt they had only one card left to play: the press. They went to *Science* writer Deborah Shapley with their story, which was reported in the September 8, 1978, issue. An Associated Press write-up and other media coverage followed.

Sen. Warren Magnuson, who had written to the NSA on behalf of the inventors in June, wrote to the Secretary of Commerce in September:

> *It would seem only reasonable to expect that the applicants would be allowed a hearing to rebut the conclusions of the National Security Agency regarding the necessity for secrecy. I do not believe that the inventors should be deprived of their rights to their labors without having a full presentation of their views.*

The NSA did not ask for such a presentation of the inventors' views. Just as mysteriously as the secrecy order, came new word from the NSA: "The dangers of harm to the national security were less severe than originally perceived." The secrecy order was rescinded on October 11, 1978.

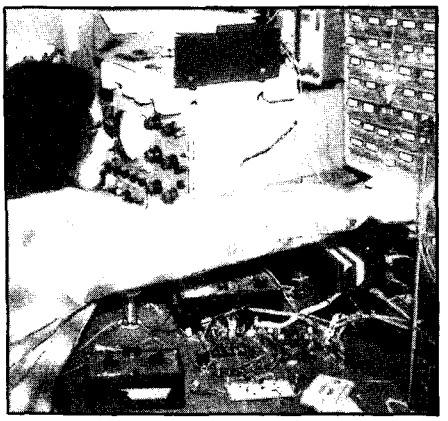
SECRECY AGENCY

Like these inventors before they tangled with it, most Americans have never even heard of the National Security Agency. It is the government's ears on the world. Armed with work orders from other government agencies, conveyed through the US Intelligence Board, the NSA gathers foreign intelligence by listening in on communications, breaking foreign governments' codes, and monitoring electronic signals. It also has the task of ensuring the security of US government communications—devising codes, setting encryption standards for other agencies, and so on.

From the beginning, the NSA's existence has been shrouded in secrecy. It was created out of the Armed Forces Security Agency by a Top Secret presidential directive issued in 1952 by Pres. Harry Truman. Unlike the other intelligence agencies of the federal government, the NSA does not operate under a congressional charter defining its mission and limiting its power. In fact, to this day Truman's seven-page directive establishing the agency remains classified. Although technically a part of the Department of Defense, the NSA is not even listed in the Pentagon directory.

In spite of its low profile, the NSA is the largest of the government's intelligence agencies. Its annual appropriation is some $2 billion (CIA: $750 million; FBI: $584 million). It has a direct payroll of more than 20,000 people, and another 80,000 (largely military personnel) serve in the cryptologic departments of the armed forces, under NSA control. With the costs of these services added in, estimates put the NSA's share of the taxpayers' dollars at $15 billion a year.

At its headquarters in Fort Meade, Maryland, is housed some of the most sophisticated and expensive electronic equipment in the world.



Carl Nicolai in his garage laboratory.

for their Phasorphone patent, they developed another privacy-protecting device: Cryptext. A cigarette-pack-sized encryption device that can be plugged into Radio Shack's TRS-80 and other microcomputers, it sold for $299 when it was introduced in 1979. The inventors were so sure of its security that they offered a prize of three ounces of gold to anyone who can crack its code (no winners so far).

Having seen something of the patent routine, this time the group decided on other ways to protect their invention. Among other techniques, the components inside Cryptext have had their identifying numbers removed and are embedded in a special epoxy, making it highly costly to dissect a unit and find out how it works. (Similar methods and trade secrets are increasingly being used to protect electronic inventions these days. The average patent application takes about two and a half years to process, by which time the invention is often obsolete.)

Since no patent application was filed, the inventors didn't have to worry about another secrecy order. But there's a Catch-22. In January 1980 they received the following:

> *It has come to the attention of the Department of State that your company is engaged in the sale of a TRS-80 word processing system. We take this opportunity to advise you that cryptography must be licensed by the Department of State before it can be exported from the United States. Application for an export license is made to this office [the Office of Munitions Control] in accordance with the International Traffic in Arms Regulations (ITAR).*

Under the Mutual Security Act of 1954, registration with the government is required of "every person who engages in the business of manufacturing, exporting, or importing any arms, ammunition, or implements of war, including technical data relating thereto." The US Munitions List, which defines what items are to be considered "arms, ammunition and implements of war," includes "speech scramblers, privacy devices, [and] cryptographic devices."

Thus the inventors learned that their device had been classified as an "implement of war." In order for them or any of their customers legally to send a Cryptext unit out of the country, an export license was needed. And in order to get a license, they would have to supply diagrams and a full explanation of how Cryptext works and maintain records on the acquisition and disposition of their product (that is, a customer list). The inventors found that the Office of Munitions Control refers all cryptography cases to a certain government agency for an opinion as to whether an export license should be required or issued... the NSA.

So far, the Seattle group has decided to forgo a foreign market rather than file for an export license. The penalty for an ITAR violation, by the way, is two years in prison and a $100,000 fine.

INSIDE THE NSA

What the NSA wants, says Dean Smith, a former staff engineer for the agency, is "that they and they alone control all cryptography." On one level, he says, the NSA's push for control is the standard story of a bureaucracy defending its turf. As the US government's code-making and code-breaking agency, NSA people view themselves as the world's top experts in cryptography.

In fact, says Smith, "there are only about a dozen people in all of the NSA who are real cryptographic experts, and they talk only to each other. They're a closed society, intellectually inbred, and this greatly diminishes their competence."

Recent developments seem to bear this out. The public-key encryption system, for example, which Smith terms "a milestone—the most important cryptographic work in the century," was developed in the free academic community. Eclipsed by work done "outside," the NSA is increasingly falling behind and getting desperate. "They're trying to hold it back, control it—but they can't," says Smith.

Political pressures compromised the quality of work Smith saw performed by the agency. "Most of the NSA section heads know nothing

The electronic revolution has provided sophisticated, low-cost means of ensuring data privacy.

keeping secrets by putting information and messages into code has taken on new dimensions.

Any coding scheme consists of a set of rules by which messages or information are to be transformed. In a computer, all information—sentences, phone conversations, even pictures—is represented as a series of numbers. Encoding is accomplished by scrambling these numbers—in modern cryptography, using a set of rules consisting of elaborate mathematical functions. Decoding requires that the encryption procedure be reversed by acting on the coded message with the inverses of the encryption functions. (In a simple example, division is the inverse of multiplication.)

These functions could not be used to code and decode in any reasonable amount of time without the speed of a computer, and as computers and their electronic components become faster and cheaper, more and more complex encryption functions can be devised. The more elaborate they are, however, the more effort (computer time and power) is required to break the code. Some of the best encryption methods in use today are, in practical terms, unbreakable—by the time the code was broken, the once-secret information would be useless.

But that's for state-of-the-art technology. Most private and commercial users, and most small countries' governments, cannot afford the ultimate in security and must settle for something considerably less. It doesn't take much figuring to see that any new development that promises to give these users a higher degree of security for a lower cost is likely to be seen as a threat by the government's electronic surveillance arm.

Carl Nicolai and his coinventors never could find out why the National Security Agency slapped a secrecy order on their Phasorphone. Daniel Silver, then NSA general counsel, had written to them with military logic: "As the reasons for concluding that disclosure would be detrimental to the national security are themselves classified information, unfortunately we cannot provide additional information on the basis for our conclusions."

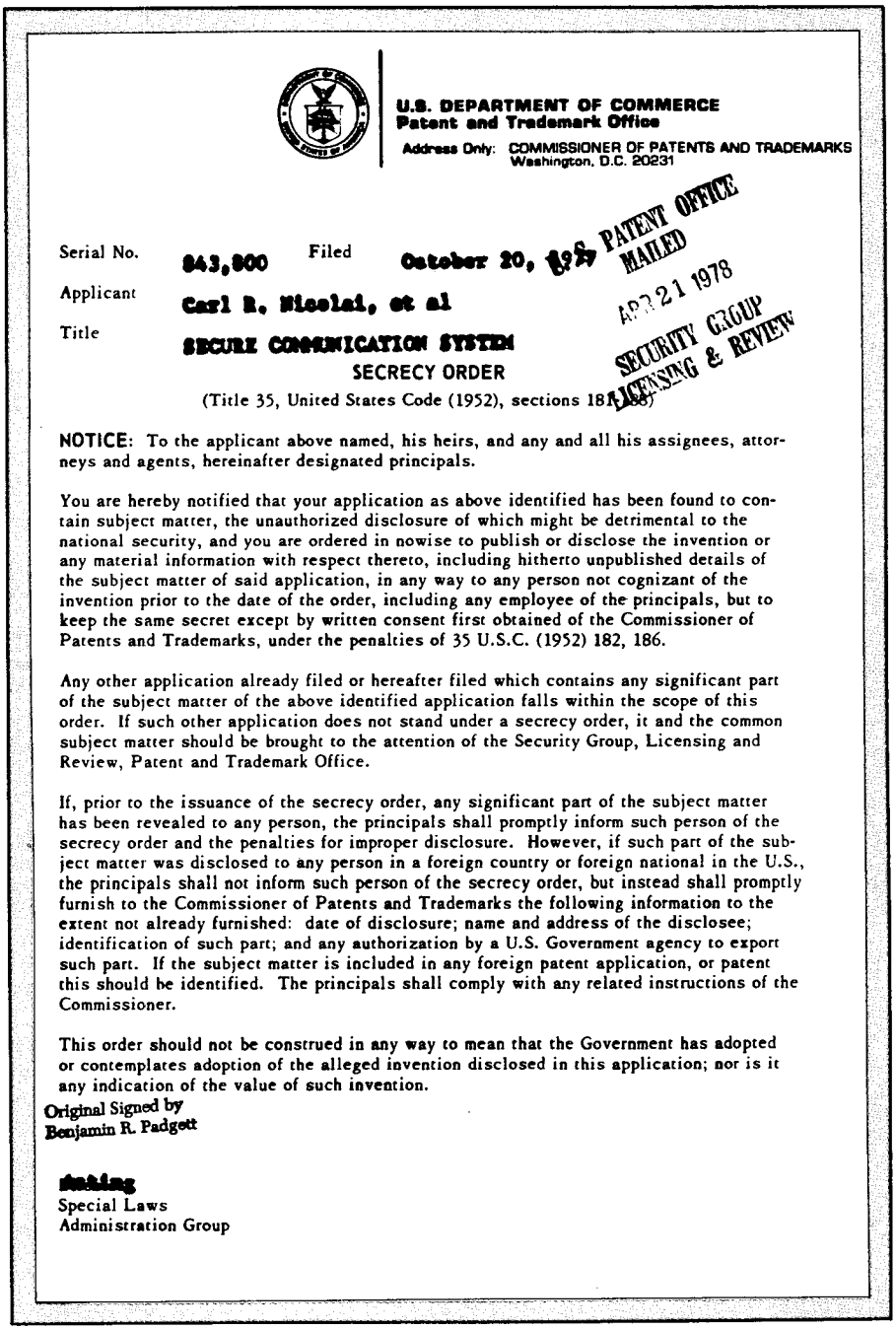
Although the Phasorphone was a new type of voice scrambler, there were comparably secure devices on the market. Its projected cost, however, was much lower—$200, versus several thousand for existing devices. Fear of putting communications security within reach of many people may well have prompted the NSA's secrecy order.

When it was finally rescinded, only a few days remained before the legal deadline for filing for foreign patents. Their resources exhausted, the inventors could only file in Canada. A US patent was granted in February 1980, receiving top billing in the *New York Times* "Patent of the Week" feature.

The secrecy order fight left the four inventors frustrated and bitter. "The government employees had eight hours a day to spend on our case," says David Miller. "We had to earn a living, *plus* fight them. We ended up supporting ourselves and our lawyers, and—through our taxes—them and their lawyers." Development of the Phasorphone itself cost the inventors $33,000 (1978 dollars); lawyers' fees, another $30,000 so far.

CATCH-22

But secrecy orders are not the only tool of suppression at the NSA's disposal. While the Seattle group waited



U.S. DEPARTMENT OF COMMERCE
Patent and Trademark Office
Address Only: COMMISSIONER OF PATENTS AND TRADEMARKS
Washington, D.C. 20231

PATENT OFFICE MAILED APR 21 1978 SECURITY GROUP LICENSING & REVIEW

Serial No. 843,800 Filed October 20, 1977
Applicant Carl R. Nicolai, et al
Title SECURE COMMUNICATION SYSTEM

SECRECY ORDER

(Title 35, United States Code (1952), sections 181-188)

NOTICE: To the applicant above named, his heirs, and any and all his assignees, attorneys and agents, hereinafter designated principals.

You are hereby notified that your application as above identified has been found to contain subject matter, the unauthorized disclosure of which might be detrimental to the national security, and you are ordered in nowise to publish or disclose the invention or any material information with respect thereto, including hitherto unpublished details of the subject matter of said application, in any way to any person not cognizant of the invention prior to the date of the order, including any employee of the principals, but to keep the same secret except by written consent first obtained of the Commissioner of Patents and Trademarks, under the penalties of 35 U.S.C. (1952) 182, 186.

Any other application already filed or hereafter filed which contains any significant part of the subject matter of the above identified application falls within the scope of this order. If such other application does not stand under a secrecy order, it and the common subject matter should be brought to the attention of the Security Group, Licensing and Review, Patent and Trademark Office.

If, prior to the issuance of the secrecy order, any significant part of the subject matter has been revealed to any person, the principals shall promptly inform such person of the secrecy order and the penalties for improper disclosure. However, if such part of the subject matter was disclosed to any person in a foreign country or foreign national in the U.S., the principals shall not inform such person of the secrecy order, but instead shall promptly furnish to the Commissioner of Patents and Trademarks the following information to the extent not already furnished: date of disclosure; name and address of the disclosee; identification of such part; and any authorization by a U.S. Government agency to export such part. If the subject matter is included in any foreign patent application, or patent this should be identified. The principals shall comply with any related instructions of the Commissioner.

This order should not be construed in any way to mean that the Government has adopted or contemplates adoption of the alleged invention disclosed in this application; nor is it any indication of the value of such invention.

Original Signed by
Benjamin R. Padgett

[redacted]
Special Laws
Administration Group

and faced with a government mentality that seeks control above everything else, Smith resigned. "I found that my job at NSA was causing a betrayal of my self and my country."

OVERREACTION

The NSA's attempts to limit communications security and suppress public knowledge of cryptography are not new. During the 1960s the agency reportedly used threats of "extralegal" activities to block the production of a low-cost code machine. As detailed by columnist Jack Anderson, the developer, Victor Poor, was convinced that the NSA would firebomb his factory if he didn't cooperate with them. Although the code machine was not produced, the victory was short-lived: not long afterward, computerized coding devices began being developed. The microprocessor revolution had begun.

Undaunted, the NSA continued to wage war. According to the 1976 report of the Senate's Select Committee on Intelligence, the NSA maintained a file in the late '60s on a writer who had published materials describing the agency's work. According to the report, the NSA "had learned of the author's forthcoming publication and spent innumerable hours attempting to find a strategy to prevent its release, or at least lessen its impact. These discussions extended to the highest levels of the Agency, including the Director." Measures considered—"with varying degrees of seriousness"—included: planting critical reviews of the book, purchasing the copyright, hiring the author into the government, keeping him under surveillance, and breaking into his home.

Although the name of this author was not revealed by the NSA or the Senate committee, there is little doubt that the target was David Kahn, a journalism professor at a New York university and a reporter whose pet subject is cryptography. In 1967 he in fact published *The Codebreakers: The Story of Secret Writing*. A thousand pages long, it is the definitive history of cryptography through the post-World War II period. Although the NSA did not, according to the Senate report, carry out the measures already described, it did obtain the manuscript from the publisher and placed the author's name on its "watch list."

But "the most remarkable aspect of this entire episode," noted the Senate committee, "is that the conclusion reached as a result of the NSA's review of this manuscript was that it had been written almost entirely on the basis of materials already in the public domain. It is therefore accurate to describe the measures considered by NSA...as an 'overreaction.' "

What the Senate committee apparently did not take into account is the NSA's position: that the less the public knows about secret codes, the better. This attitude persists. Said NSA Director Vice-Adm. Bobby R. Inman recently: "There is a very real and critical danger that unrestrained public discussion of cryptologic matters will seriously damage the ability of this government to conduct signals intelligence and protect national security information from hostile exploitation."

The NSA suffers from a handicap, however, in convincing people that its legitimate intelligence activities warrant such grave concern about the prospect of individuals and businesses obtaining communications security. In the wake of Watergate the public learned that, like the government's other intelligence agencies, the NSA had for years been directing its operations against American citizens without any requirement that it first show probable cause in the courts.

ILLEGAL SNOOPING

The same Senate Select Committee that uncovered the overreaction to author David Kahn's work learned from the NSA director and others within the agency that the NSA and its predecessor, the Armed Forces Security Agency, had for 30 years been intercepting telegrams sent overseas by Americans. This program was made possible by the cooperation of IT&T, RCA, and Western Union, the major telegraph companies. At its height, the program (codenamed Shamrock) produced 150,000 telegrams a month for NSA analysts.

The Senate committee also learned that a past director of the NSA, Adm. Noel Gayler, had participated in drawing up, and approved of, the so-called Huston Plan to expand the role of intelligence agencies. The plan, proposed secretly to President Nixon in 1970, would have given these agencies the authority (on executive order) to read Americans' international mail, break into the homes of persons considered a security risk by the president, and otherwise intensify surveillance of selected Americans. Several of its recommendations were clearly unconstitutional, but the NSA admitted that "it didn't consider [this] at the time."

It was also revealed to the Senate committee that the watch list that had included David Kahn's name had been maintained by the NSA from the early 1960s until 1973. The agency

UPI

Vice-Adm. Bobby R. Inman (center) testifies before the Senate Intelligence Committee with the heads of other intelligence agencies.

Public-key encryption slipped through the back door while the government cryptographers were guarding the front.

about technology—just politics," claims Smith. "Their thinking style is more that of master psychologists than technologists."

One of the projects Smith worked on showed the results of such thinking. The aim was to secure all US (government and private) microwave transmissions against Soviet interception, and a committee composed largely of various government agency representatives (and *no one* from the communications industry) was appointed to study the matter. Smith's job was to evaluate the feasibility of their proposals.

One of the "solutions" would have wiped out the phone service in New York City, San Francisco, and Washington, D.C., by jamming the Soviet receivers—which would also jam ours. The solution finally chosen by the committee—classified information—was mediocre, at best. When Smith brought the problem to the attention of his superiors, he was told to shut up.

Smith had discussed the desired outcome with AT&T and found that an inherently secure technology was available if more phone service were switched from private lines to a WATS-like system. The service could both provide security and save money. But AT&T pointed out that its competitors would use the Federal Communications Commission to prevent the service from being offered, and the NSA wasn't very interested in the idea either. "It wouldn't have resulted in increased power for the NSA," explains Smith. "They wanted to force the carriers to encrypt the communications, with the NSA in control of the encryption process."

Smith is not surprised that many of the best minds won't even consider working for the NSA. The overt manifestations of control bother them too much, he says. A friend of his from Bell Labs was once scheduled for a job interview at NSA headquarters. He turned around and went home after a look at the electrified, barbed-wire fences and the Marine guards patrolling the complex.

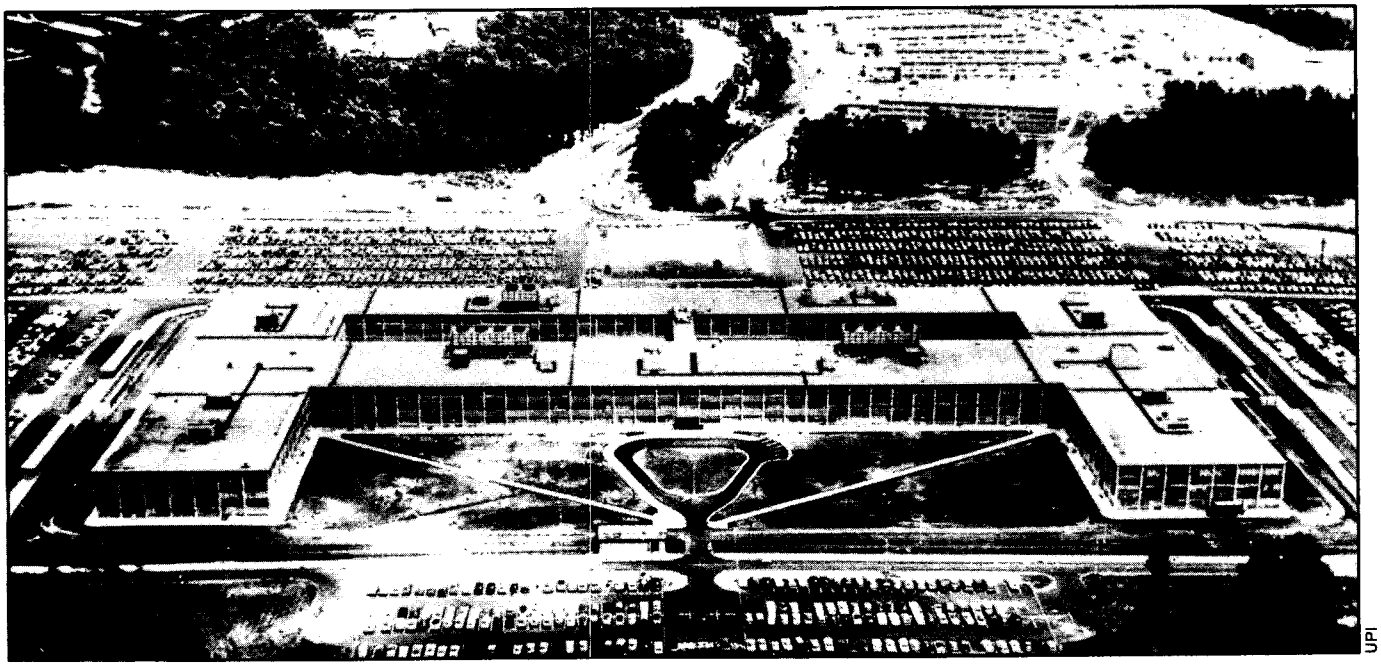
SURVEILLANCE

But protecting its reputation is not the only reason the NSA wants to control all cryptography. Mentioned to the agency's friends in Congress, like Howard Baker and Scoop Jackson, but not to the public, says Smith, is this factor: if the governments of the Third World ever get their hands on really secure communications technology, the NSA won't be able to spy on them anymore.

But the Third World *is* getting more secure, and recent cost-lowering developments promise to hasten the process. The major powers have had extremely secure systems for years. It has been estimated that the NSA can decode only about four percent of the transmissions it picks up; it is reduced now to gleaning most of its information from the volume and routing of messages. Attempts by the NSA to prevent Third World communications security is a losing, rear-guard battle.

There is another reason the NSA top brass would like to control all cryptography, though, says Smith, and it is the deepest and most secretly held. It is not talked about in public, not even with trusted congressional friends, but *is* discussed behind closed doors at the NSA. It is the belief that no government can ever permit the citizens of the nation, or any sector of the nation, to be secure from the government itself—a concept of government, he points out, that can lead to the most ruthless and cynical abuses of power.

Not allowed to do a competent job,



UPI

Headquarters of the National Security Agency, the largest of the government's intelligence agencies.

permission for meetings and publications from the Department of State's Office of Munitions Control—effectively giving the NSA control over the release of their work, since the OMC routinely refers all cryptographic matters to the NSA. Meyer's letter was picked up by both the popular and the scientific press, with a chilling effect on cryptographic researchers across the country.

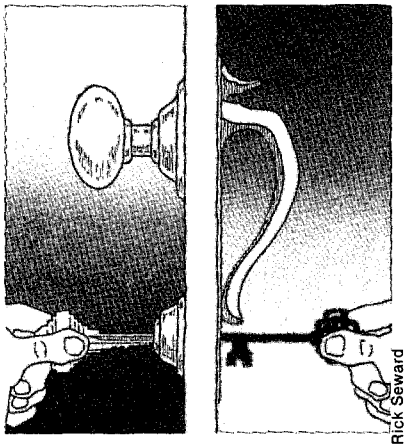
With all this as background, in late 1977 the Senate Select Committee on Intelligence decided to look into the matter of NSA involvement with scientists working in the field of cryptography. The unclassified summary of its classified study reported the committee's conclusions: Joseph Meyer had acted on his own, and not on NSA orders, in writing to IEEE; federal regulations pertaining to cryptology are vague and ambiguous and therefore "not conducive to scholarly work"; although the NSA did convince IBM to reduce the key size of the DES, IBM agreed that the final key size was adequate; the NSA did not tamper with it to make it vulnerable to NSA code-breakers; and the majority of scientists consulted said that the DES would provide security for 5-10 years.

SECRET CODES GO PUBLIC

Meanwhile, the NSA's domination of its field had been rendered a blow that may well prove fatal. In 1976 two Stanford University researchers, Martin Hellman and Whitfield Diffie, came up with a radically new kind of encryption system. In contrast to traditional schemes, a person's encoding formula can be made public so that anyone can send coded messages (but only the receiver can decode them). Hence the name of the system: public-key encryption.

The concept is an outgrowth of recent work in theoretical mathematics involving "trapdoor one-way functions." Such a function is easy to compute, but its inverse is impossible—or at least computationally infeasible—to derive unless specific information (the "trapdoor") used in designing the function is known. When applied to cryptography, such functions and their inverses can be used to provide codes with two separate keys—one to encode, the other to decode—and yet someone knowing only the encoding key cannot compute the other.

Public-key encryption slipped through the back door while the gov-



Rick Seward

PUBLIC KEYS

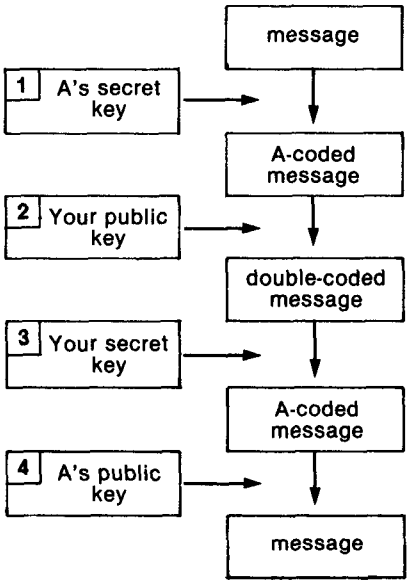
Codes based on the public-key concept not only appear to be unbreakable; they also eliminate an age-old problem with sending secret messages—keeping the code secret while making it available to intended users. In addition, they can be used to protect against fraud, opening up all new areas for the use of codes.

The key to these advantages is the *key*—the instructions for encoding and decoding information. In traditional encryption schemes, the same key is used for both procedures, and distributing the key to the users of a code requires security measures to prevent its falling into the wrong hands. (Human couriers are often used—but may be set upon by thieves and are subject to being bought off. Alternatives, such as transmitting the key by registered mail or electronically, are likewise not foolproof against interception.) In public-key systems, however, because of the nature of the underlying mathematics, encryption and decryption are accomplished by separate keys that cannot be deduced from each other. So one of the keys can be made public, eliminating the risks surrounding key distribution in traditional coding schemes.

The ease of access to the new systems opens the way for widespread commercial applications. Does your firm need to send a confidential message to Company A? Just call information for A's public key, enter it into your computer, and type the message on your terminal. The computer uses A's public key to encode it, it's sent off to A, and A's computer decodes it with the other, secret key. Even if, say, Company B has the communication line tapped, it won't do B any good; only Company A has the mate to its public key, so only A can decipher the encoded message. When A is ready to reply to you, *your* public key is used to encode the message; again, only you have the key that will unlock the message.

Of course, anyone can communicate with your firm using your public key, so when A supposedly sends a reply, how do you know it's authentic? Public-key systems solve this thorny problem for cryptographers, also. When Company A types the reply, the computer is instructed first to encode the message with A's secret decoding key. (Since both encoding and decoding keys contain rules for transforming data, either may be used for encoding.) This is called A's "digital signature." Then the encrypted message is transformed *again* using *your* public key and sent on its way. When your firm receives it, your computer does two decodings—using *your secret key* to reverse the second coding, then using *A's*

DIGITAL SIGNATURE



Step 3 reverses step 2.
Step 4 reverses step 1.

Americans' communications to and from other countries are still picked up "inadvertently"—that's how Billy Carter's hands were caught in the Libyan cookie jar last summer.

monitored the international communications of individuals and groups on the list, disseminating the intercepted messages to interested government agencies. (The NSA's present director, Admiral Inman, hotly denies that the NSA has ever listened in on "Americans' private telephone calls." When questioned, however, he concedes that the NSA did, as admitted to the Senate committee, monitor phone calls between the United States and South America, looking for drug traffic. But he hastens to add that in these cases one terminal was in a foreign country.)

The watch list was started, according to NSA testimony, when domestic law enforcement agencies in the early '60s sought the NSA's help in gathering information on American citizens traveling to Cuba. Soon the Bureau of Narcotics and Dangerous Drugs (now the Drug Enforcement Administration), the FBI, the CIA, the Defense Intelligence Agency, and the Secret Service were submitting names to the NSA's watch list, which came to include 1,650 Americans. In 1969 this surveillance was formalized as project Minaret.

Today, although the agency claims to have sworn off such practices as Shamrock and Minaret, it continues what has been termed a "vacuum cleaner approach" to gathering data. Americans' communications to and from other countries are still picked up "inadvertently." Those containing evidence of certain federal crimes are turned over to other government agencies. It was in this way that Billy Carter's hands were caught in the Libyan cookie jar last summer. As reported by the *San Francisco Chronicle,* "International telex messages, apparently intercepted by U.S. electronic intelligence collectors, provided the White House with confirmation that an oil deal between Billy Carter and Libya's Khadafy regime was in the works."

It is estimated that 400,000 telephone calls to and from the United States are made each day. Several articles in major media have recently reported that the NSA listens in to these calls selectively—via computers programmed to switch on tape recorders the moment a given word or phrase is used.

Electronics experts dispute this claim. Selective monitoring of telex messages is feasible, they say, because the intercepted message is already in digital (computer-readable) form. But computer recognition of voice messages is way beyond the state-of-the-art, and this would be necessary in order for a computer to switch on a tape recorder selectively.

But who knows? In the area of military intelligence, civilians are routinely kept in the dark about the most advanced technology. For example, satellite photos available to the American public and the scientific community from the government's Landsat program are limited to showing objects that are 80 meters across on the ground. A few 30-meter reconnaissance photos were released recently. Yet according to a recent issue of *Aviation Week,* the Air Force's current technology—technology it's keeping under wraps—provides resolution down to *six inches.*

CODING CONTROVERSY

The NSA's record of eavesdropping on American citizens is not the only aspect of its activities to have come before the Senate Select Committee on Intelligence. In 1975 the NSA became embroiled in a controversy over what some viewed as an attempt to reduce the degree of communications privacy available outside its own walls.

In 1968 the National Bureau of Standards (NBS) began working toward development of a standard encoding system to provide security for unclassified government data stored and transmitted by computer. After soliciting proposals in 1973 and 1974, the NBS decided to adopt as a Data Encryption Standard (DES) a coding system submitted by IBM. The NSA, as the government's cryptographic arm, had been in on the decision and had in fact convinced IBM to reduce the key size of the DES, thus reducing its security level.

Almost immediately, computer scientists and engineers working on encryption systems let it be known through the scientific press that they had doubts about the security of the DES. The National Bureau of Standards responded with two workshops on the issue.

At the first, in April 1976, the NBS maintained that with existing machinery it would take 17,000 years to break the DES code by transforming encrypted data into every possible combination in order to come up with the uncoded text. Most of the workshop participants, however, argued that it would be fairly easy to construct a special-purpose computer to attack the DES; their estimates of the time required to build the equipment and crack the code ranged from two and a half to 20 years—not 17,000. The cost of such devices was put at $10-$12 million, a small amount by government standards.

At a second workshop in September 1977 on the mathematical properties of the DES algorithm, participants learned that IBM was unwilling to reveal some information about its development—at the NSA's request. Some cryptographers began to worry that the NSA, in helping IBM with the DES, might have inserted a mathematical procedure making the DES easy for the NSA to break.

It wasn't as unreasonable or paranoid as it may sound. In between the two DES workshops, a scare had been thrown into the entire civilian cryptographic community. In July 1977 an NSA employee, one Joseph A. Meyer, wrote a letter to the secretary of the publications board of the Institute of Electrical and Electronic Engineers. Some of the IEEE members' discussions and publications on the subject of cryptography, he warned, could be in violation of the International Traffic in Arms Regulations. Meyer's letter suggested that researchers obtain

threatened with a secrecy order. The burden of proof should be on the government to show why a citizen's constitutional rights must be abridged in the interests of 'national security.'

Just a few weeks earlier an issue of *U.S. News and World Report* had featured a five-page cover story on the National Security Agency, entitled "Eavesdropping on the World's Secrets." Combined with all the flak about the DES, secrecy orders, and Meyer's letter, it must have seemed to the NSA that the roof and walls of its Black Chamber were caving in.

Admiral Inman, director of the NSA since July 1977, contacted *Science* magazine in October, asking for a dialogue with the academic community regarding cryptography research. The move was unprecedented—it was the first press interview ever granted by a director of the NSA. The agency's concern, said Inman, was with protecting valid national security interests, and he wanted "some thoughtful discussion of what can be done between the two extremes of 'that's classified' and 'that's academic freedom.' "

He suggested that the authority of the Atomic Energy Commission (now the Energy Research and Development Administration and the Nuclear Regulatory Commission) over atomic energy research be taken as a model. (Under the Atomic Energy Act of 1954, these agencies have the power to classify any work they believe will endanger the country's atomic energy secrets.)

RESEARCH CONTROLS

The University of Wisconsin's Werner Baum picked up Inman's call for a dialogue. The result was a public cryptography study group, funded by the National Science Foundation.

A preliminary meeting in May 1979 laid out the issues. Inman and Daniel Silver, NSA general counsel, as well as two NSA research directors, attended. The other participants were mostly representatives of various scientific, mathematical, and academic societies. George Davida found himself the only nongovernment cryptography researcher in the group.

Davida came away with the impression that the group had taken it as its task to come up with recommendations the NSA would like. Silver said that the good of the country requires "repressive legislation," and with the country moving toward the right-wing, he suggested, the academics would probably be able to make a better deal with the NSA than with Congress.

The study group, now formally constituted, met again in March and May 1980. Inman sent a statement making the NSA's position clear: The NSA was worried about anything with the potential to compromise its cryptanalytic work or to improve foreign governments' cryptography; existing statutory tools—patent secrecy and export laws—are insufficient because they apply only to devices and directly related information and technology (that is, he specified, they do not apply to the information in scholarly papers, articles, or conferences unrelated to specific hardware), and criminal statutes apply only to classified material. Again, the Atomic Energy Commission was put forth as a precedent.

While Davida saw it as very dangerous, his academic colleagues saw nothing wrong with the "exercise" of considering legislation to control cryptography research. A subcommittee chaired by Ira M. Heyman, chancellor of the University of California, Berkeley, was charged with outlining a system for prior restraint on publications relating to cryptography. They turned to the NSA's Daniel Schwartz (who had replaced Silver as general counsel) to recommend an approach.

The subcommittee's report, which was approved by all study group members except Davida at an October 1980 meeting, outlines a system that "is largely, but not completely, voluntary. Protected cryptographic information would be defined as narrowly as possible. Authors and publishers (including professional organizations) would be asked on a voluntary basis to submit prospective articles containing such information to NSA for review....NSA could... seek a restraining order [on publication] in a federal district court....the government would be enabled to seek a court-enforceable civil investigative demand to obtain copies of articles about which it hears, but which were not submitted."

Following the October meeting, Davida wrote to the other group members, expressing his "deep concern about the failure of the committee to address the fundamental issues." Under the proposed rules, says Davida, the only papers to be submitted for NSA review would be those relating to existing government codes, ciphers, and cryptographic systems. But specific information on those systems is highly classified, meaning that essentially *all* work in cryptography must be submitted for review and potential restraint.

Another result of the proposed rules is to make it easier for the government to impose patent secrecy orders. No secrecy order can be put on an invention whose description has been previously published, but with the new rules, publication could be prohibited.

Davida is also disturbed that the group's report will not be submitted to cryptography researchers for review. He fears that it will be used as justification and "expert opinion" when the NSA seeks court restraining orders.

The emphasis on court orders signals a shift from the NSA's earlier call for legislation. This shift is mirrored in testimony by Inman to a congressional committee and in conversation. It may indicate the NSA's unwillingness to open up the subject of cryptography to the public hearings that proposed legislation would bring.

CONFLICT AT THE TOP

Meanwhile, the House Subcommittee on Government Information and Individual Rights had set out to study the authority of government to classify, restrict, or claim ownership over privately generated information. The committee has particularly focused on patent secrecy orders, the Atomic Energy Act, and export controls, including ITAR. The committee's final report is expected to contain many recommendations for changes in the legislative, executive, and administrative levels of government.

The White House, too, has been deeply concerned with issues of data and communications security and control of cryptography. The concern is both for safeguarding government-held data on US citizens and for

ernment cryptographers were guarding the front. An unpredictable outgrowth of purely theoretical mathematics, its development could be neither foreseen nor prevented. A matter of weeks after Hellman and Diffie had published the basic theory, a group of MIT researchers headed by Ronald Rivest had designed a practical implementation based on multiplying large prime numbers (numbers that can be divided evenly only by themselves and 1—2, 3, 5, 7, 11, and so on, *ad infinitum*).

While recent methods have been developed for using a computer to find large primes, and their multiplication can be done in a fraction of a second by computer, experts concur that it would take millions of centuries for today's best computers to derive the original prime numbers if only their product (a digit of 100 or so figures) were known. So the encoding key would include the product, the decoding key would reverse the coding process using the original prime numbers, and no unintended receivers could decipher the message.

Alternative groups of one-way functions have also been proposed. Work is under way to develop single microelectronic chips incorporating the public-key technology (thus making encryption faster). And several companies are implementing applications of the system. The novel features of public-key systems make them especialy adaptable to certain uses (see box), and with most of the essential theory widely published, it's safe to say that public-key systems will not—cannot—be kept from the public.

MORE SECRECY

The NSA, however, is not about to give up. In April 1978 the agency imposed two patent secrecy orders: one, on the Seattle group's voice scrambler; the other on a nonlinear "stream" cipher developed by George Davida of the University of Wisconsin at Milwaukee under a National Science Foundation (NSF) grant. University of Wisconsin Chancellor Werner Baum publicly protested the secrecy order, and a few weeks later, it was rescinded.

But Baum realized he had stumbled onto a larger issue. In a letter to the NSF, quoted in a July 1978 issue of *Science,* he set out his concerns:

At the very least, an effort should be made to develop minimal due process guarantees for individuals who are

public key to reverse the first coding. Only Company A could have sent something reversible by A's public key; only you can interpret it, because only you can reverse a message encoded with your public key.

Authentication is the problem solved by public keys in one of their first applications. The Zero Power Plutonium Reactor in Idaho Falls has been using an automated public-key system to ensure that only authorized personnel gain access to the research facility. The hand dimensions of each person are encoded on a magnetic card. To gain entry, a person inserts his card into a computer and places his hand in a measuring device; his hand dimensions and those on the card must match. The security of the system is ensured by the mathematics of public keys. Even if someone obtained the matching key that allows the computer to read the magnetic cards, the encoding instructions could not be deduced, so it would not be possible to forge cards for unauthorized persons.

Keeping track of nuclear fuel is another potential application of the new codes. Now being tested at Oak Ridge National Laboratory is a system for monitoring fuel enrichment. Reactor-grade fuel is enriched much less than weapons-grade fuel, and an international concern has been that countries do not turn their fuel-enrichment facilities into nuclear weapons plants. The plan is to encode the enrichment information and make the decoding key public, so anyone can tell if the fuel, once it changes hands, is enriched to weapons-grade. But since the encoding key, along with the radiation monitor, would be sealed in a tamper-proof container, enrichment information could not be falsified. The Department of Energy and the International Atomic Energy Agency are considering a similar application to keep tabs on spent nuclear fuels. In this case, information about fuel movements would be encrypted.

Public-key systems are also being considered for monitoring compliance with a nuclear test ban. Participating nations would all have a public key allowing them to read test data from seismic detectors, relayed in encrypted form. Since the encryption key is sealed inside the host country's seismic detector, that country cannot insert false information into the transmission of data. But the host country can also rest assured that only the seismic information, and no other espionage data, is being transmitted, since *no one* has access to the encoding key.

For some applications, public-key systems pose a problem: because of the complexity of the coding functions, it takes too long to encode and decode. In transmissions from satellites to multiple ground-based receivers, for example, fast encryption and decryption is crucial. And in electronic mail systems, long messages must be transmitted quickly in order for the systems to come into widespread use. A solution, however, employing the best of the new and the old cryptography, appears feasible.

Researchers at the Mitre Corporation and Digital Communications are experimenting with a hybrid electronic mail system that uses both the DES (a traditional coding scheme—a single key for coding and decoding—developed by the National Bureau of Standards) and a public-key code. Although the DES allows for fast encryption, each message recipient must be sent a key in advance of any message—raising security problems and time delays that make it impractical for any widespread mail system. In the hybrid, if someone wanted to send you a long message, he would encrypt it with a DES code, use your public key to encrypt the DES key itself, and transmit both to you. Your secret key would decrypt the DES key, which you would then use to decode the actual message.

But the speed of encryption with the new codes will also be improved as they become available on single microelectronic chips—a development that public-key researcher Ronald Rivest is working on. It's the last step in a breakthrough that Martin Gardner, a *Scientific American* columnist, predicted in 1978 "bids fair to revolutionize the field of secret communication."

—M. Z.

There is a bright side to this growth in security: if Third World countries are secure from *our* snooping, they'll also be secure from the *Soviets'*.

freezes any other similar patent application that might be filed. Meanwhile, the original company can produce under the secrecy order for the government, and when the technique or device is no longer "detrimental to the national security" and a commercial market exists, the company is ready to move.

International Traffic in Arms Regulations can be handled in much the same way. The government and the defense contractors do each other favors—the government helps them market not-too-sensitive equipment to friendly foreign governments, and the defense contractors are generally cooperative in not trying to market what the government doesn't approve.

But cracks are appearing in this tidy system. The revolution in cryptography and communication is changing the stakes in the game, and it's becoming too costly for the companies to play.

The country that has become our chief technological rival—Japan—has no government secrets. They are simply not allowed under Japan's constitution, which we helped write after World War II. So in Japan there are no patent secrecy orders. Its defense industry (as a share of GNP) is less than a fifth the size of ours. There is no significant government funding of research in Japan: only about five percent is government-supported. And the Japanese are beginning to beat us at our own game.

If our government tries to put a lid on secure communications technology in this country, who will be developing it and selling it to us? American businesses are beginning to wake up to the fact that they could be shut out of a very profitable area.

But they have another reason to want private, commercial work in cryptography to thrive: they themselves need data and communications security in order to survive. They need it against nosy competitors and larcenous computer whizzes but also against *governments*. As David Ignatius reported in the *Wall Street Journal:*

> *The bottom line for corporate managers is that, unless they take special encryption precautions, some of their international messages are probably winding up in NSA's computers and in the intelligence files of the Soviets. In coming months, U.S. companies may have to decide whether they want more privacy—and whether more protection would be worth the possible cost of a less aggressive U.S. intelligence effort.*

PURSE STRINGS CONTROL

One would think that after several years of stirring up a hornets' nest, the NSA would lie low during the extensive policy review currently in progress. Not so. The agency continues to push for control over cryptography research.

Len Adleman, one of Ronald Rivest's colleagues at MIT, applied for a grant from the National Science Foundation for research. The proposal was forwarded to the NSA for its opinion—a practice that has been going on for at least three years, according to the NSF. Most of Adleman's proposal involved basic research in complexity theory and number theory. Part of it was more specific, dealing with the use of cryptography to solve various problems of public security and privacy, including protecting data bases and phone communications and preventing computer fraud.

After reviewing Adleman's proposal, the NSA expressed an interest in funding the latter portion. The NSF informed Adleman that it would *not* fund this portion, and he later received a call from NSA's Inman offering the agency's support.

Inman has expressed concern that the NSA might lose what he believes to be its edge in cryptography. He is actively looking for more academic researchers to bring under the NSA's wing. "We just need two or three people who aren't scared to death of us," he said to *Science* in August 1980.

Adleman was not about to become one of those two or three people. "In the present climate, I would not accept funds from the NSA," he told *Science*.

Early in October the NSF and the NSA agreed that, at least in Adleman's case, there would be a choice of the source of funding: NSF, NSA, or both. Adleman says that he will accept funding from the NSF only, but this may not be enough to prevent one of the things he feared from the NSA: classification of his work. Jack Renirie, with the NSF Public Information Office, says that controls on or classification of NSF-supported work are certainly conceivable.

Other researchers are concerned that the government's attempts to control cryptography will stifle basic research in computer science, mathematics, and other related fields. And researchers are coming to realize that what the government funds, it controls. Nearly half of all scientific and technological research and development in this country is funded by the federal government. In the area of basic research, federal funding is nearly 70 percent of the total.

CAN IT WORK?

Even if you take the protection of US government communications and the interception of foreign ones as your highest goals, as the NSA presumably does, there are problems with prior restraints and other controls on cryptography. For one thing, they *cannot* work in the long run. "It's folly to think that you could stop people from getting secure codes," says Robert Lucky of Bell Labs. "The field of cryptography has opened up completely; you can't stop the knowledge."

The days of snooping on the secrets of other countries are over. The beginning of the end came when the NSA was no longer able to break the major powers' codes, and the end of

The country that has become our chief technological rival—Japan—has *no government secrets*.

protecting US government telecommunications from foreign interception.

In a November 1979 memo, the president's science advisor asked the secretaries of the Defense and Commerce departments to draft a policy regarding cryptography research. Elements to be considered included current practices and future needs for cryptography in the private sector, the issue of academic freedom, and the NSA's missions of securing our government's and intercepting foreign ones' communications. But joint discussions have been "very painful" according to a Commerce participant, who sees a great conflict between the NSA's desire to maintain its authority and Commerce's obligation to protect people's constitutional rights and to look out for the interests of the nation's businesses.

Several studies on encryption, commissioned by the National Telecommunications and Information Agency (a part of the Commerce Department), are just completed or nearing completion. These studies and the policy proposals from Defense and Commerce go to the president's science advisor, who will then be under pressure from various groups seeking to influence the government's policy on cryptography.

Even the Federal Communications Commission has gotten into the act. Meetings on the question of privacy —including communications and data bases—are ongoing. In keeping with the FCC's recent trend toward deregulation, an FCC official says the commission will not stand in the way of anyone offering encryptation devices or services. There is a possibility, however, that the FCC will *require* encryptation by certain carriers.

Obviously, a lot of people have a lot at stake in federal policy on cryptography—or, for that matter, on any technology. The existing system, including patent secrecy orders, ITAR, and government funding of research, has been good to the military-industrial complex. For the Defense Department and the big corporations who are the major defense contractors, it's been a cozy arrangement, and it is illuminating to see how the game has been played by the big boys.

THE SECRECY GAME

Take the patent secrecy order process. Under the Invention Secrecy Act, each application that comes into the Patent Office is examined to see whether disclosure of the information "might, in the opinion of the Commissioner, be detrimental to the national security." If so, the application is submitted to the appropriate government agencies for inspection.

A Patent Office official says that the majority of these involve either the Defense Department or agencies dealing with atomic energy, but *any* government agency with classifying power—for example, Treasury, State, and Agriculture—can request a secrecy order. The executive branch is not normally involved, says the Patent Office official, "but it would be hard to say no to the president."

If the government agency(s) inspecting the patent application finds it potentially dangerous, a secrecy order is issued through the Patent Office. The applicant has the right to apply for compensation for damage caused by the secrecy order or for governmental use of the invention (though there is no requirement that the government automatically inform the inventor of such use).

The number of orders issued in a year has been declining. There were 292 in 1978, 241 in 1979. In general, roughly a quarter of the secrecy orders are imposed on foreign applications. Of the domestic patents under secrecy, roughly a fifth are privately funded inventions; the rest are government-funded. A little pencil-pushing shows that less than 50 secrecy orders are imposed each year on privately funded inventions. (My estimate is 44 in 1978, 36 in 1979.) But this is just the tip of the iceberg.

Over a hundred times that many applications are scrutinized by the various government agencies and *considered* for secrecy. Queries to the Patent Office reveal that 5,671 applications in 1978 and 4,478 in 1979 were shipped out to be studied by people at the Defense Department and other government agencies.

These same people, in many cases, have close contact with government, government-contract, or government-funded researchers. The knowledge they gain from studying patent applications must, by the workings of the mind, become integrated with their overall knowledge. Even with the best intentions, they couldn't help but make use of it. And it would be politically naive to believe that all of the people with access to the patent applications have the best intentions. Add to this the fact that the inventor is *never told* that his or her application was considered for secrecy unless a secrecy order is imposed, and you have the scenario for a massive, day-to-day siphoning of state-of-the-art technological knowledge.

The major defense contractors, of course, are not hurt by this. With their close ties and a revolving door in personnel between government and business, they're in a position to benefit. Secrecy orders on their own inventions cause no hardship; they were aiming at the government market anyway, and secrecy order or no secrecy order, the government can and will still buy their products.

In fact, attached to every secrecy order is a "permit" advising the inventor that he *is* allowed to disclose the offending subject matter to "any officer or employee of any department, independent agency, or bureau of the Government of the United States" or to anyone working with the inventor "whose duties involve cooperation in the development, manufacture or use of the subject matter by or for the Government of the United States."

One source familiar with the defense industry-Patent Office routine says that secrecy orders are sometimes even triggered purposefully by these companies. If an invention is declared secret, it automatically

CAUTION:

CONSUMER PROTECTION MAY BE HAZARDOUS TO YOUR HEALTH

By Richard B. McKenzie

CONSUMERISM is in vogue. Not the idea that we should be urged and educated to be careful in our purchase and use of the myriad products offered to us. Not that we should swallow advertising with a grain of salt. Not that we should take advantage of *Consumer Reports* and *Consumers' Research* et al. to evaluate competing products and select those most appropriate to our individual needs and budgets.

Consumerism could mean all those wise things, but it doesn't. Instead, it has been co-opted by people unified around one rallying cry: *government* must protect consumers. Deceptively packaged, this version of consumerism is promoted by hucksters who have little philosophic appreciation or analytic comprehension of the role of the individual in the operation and the viability of an individualistic society. The assumption has been widely made, confidently even if implicitly, that government regulation of consumer products not only *can* enhance consumer welfare but surely *will* do so.

Confronted with this assumption, consumers should rise to the occasion. Instead of passively accepting such claims, we should examine the historical experience, which suggests that putting government in charge of protecting the consumer is much like putting Dracula in charge of the blood bank. If so, as consumers we are faced today with this problem: how best to protect ourselves from the consumer protection advocates.

All of us are interested in product quality, product safety, and getting what we bargain for. If we could have greater safety or higher quality without paying for them, no one would object to having them. But such things do not come free, even if the costs are commonly ignored or underestimated by consumer advocates. Many of the things proposed in the name of consumerism are actually "goods" in themselves. They carry a price, and they will continue to do so no matter how the economy is organized—privately or governmentally.

Granted, the government can subsidize safety requirements, but this spells higher taxes. What is the difference between paying for something through a price increase in the market and paying for it through a tax increase? There *is* one major difference: under the tax system, someone other than the specific consumer of a specific product can be forced to make at least part of the payment.

Once it is recognized that improvements in product safety and quality come only at a cost, the problem of whether or not a product should be made safer or its quality enhanced is no longer simple, because not all consumers want the same amount of safety, given the price—just as not all consumers want the same number of record albums by the "Sex Pistols," given their prices.

Nutrition experts in the Food and Drug Administration (FDA) may know the relationship between an individual's caloric and vitamin intake and his health and length of life; the National Highway Transportation Safety Administration (NHTSA) may know that the presence of headrests will reduce the severity of injury in the event of an accident; and the Consumer Product Safety Commission (CPSC) may know in how many seconds a given material can be consumed in flames. What they do not know, however, is a person's preferences, which include willingness to assume risk.

Consumers are often willing to forgo some degree of safety, in deference to other things, because of the cost. Indeed, they are willing to forgo good health and years of life in order that they may have other things now. People smoke cigarettes even though they know that smoking is harmful. Poor people buy relatively cheap, even if less reliable, appliances and machines because, by doing so, they can have more of other things.

The government can *require* people to ride in safer cars and planes; it can try to ensure that every can of beans

the end is in sight. The Third World *will* have communications security. If they don't get it from us, they can turn to other countries or develop extremely good cryptographic systems themselves.

For worriers at the NSA, there is a bright side to this growth in security. If Third World countries are secure from *our* snooping, they'll also be secure from the *Soviets'*. They will be better able to chart an independent course, less susceptible to bullying and intimidation. Surely that should work in our favor.

The most that controls on cryptographic developments can purchase for the US government is a short-term reprieve—but at a considerable cost to the security *and* the liberty of American citizens. Unlike atomic energy, which puts incredible, destructive power in the hands of a few, cryptography has the potential to protect many individuals from control or manipulation by others. And the same factors that lead inexorably to security for foreign communications also lead to security for US communications. Fortunately, our ability to construct secure codes is far outstripping our ability to break them. Given the nature of the mathematics involved in modern cryptography, it looks like this trend will continue.

Only if we allow unfettered research and development to continue in this country, however, can we continue to feel assured. Legal suppression of cryptography will only serve to drive it underground, into the hands of computer criminals, and out of the country. And, as researcher Rivest points out, it would have the unfortunate effect of "setting a legal precedent that would be damaging to our institutions just for a transitory perceived 'need.' "

Even the existing laws leave too little room for individual rights. The patent secrecy laws, passed in 1917 and revised in 1941 and 1952, should be recognized for what they are—wartime legislation. Lee Ann Gilbert points out in a paper to be published this summer in a law journal that a secrecy order imposes prior restraint on the applicant's First Amendment freedom to publish, amounts to a taking of private property by eminent domain without adequate provisions for compensation, and is a denial of due process since there is no judicial approval or review of secrecy orders. "Unless the basic constitutional maladies of the current system are cured," writes Gilbert, "the government defense agencies will have succeeded in subverting the patent laws, which the framers of the Constitution intended to benefit the general public, to their own purposes."

Similar problems afflict the International Traffic in Arms Regulations. In a recent memo prepared by the Justice Department, Asst. Att. Gen. John Harmon advised: "It is our view that the existing provisions of the ITAR are unconstitutional insofar as they establish prior restraint on disclosure of cryptographic ideas and information developed by scientists and mathematicians in the private sector."

The fundamental flaws of ITAR mentioned are "first, the standards governing the issuance or denial of licenses are not sufficiently precise to guard against arbitrary and inconsistent administrative actions. Second, there is no mechanism established to provide prompt judicial review...in which the government will bear the burden of justifying its decisions."

The memo also notes that "the showing necessary to sustain a prior restraint on protected expression is an onerous one. The [Supreme] Court held in the Pentagon Papers case that the government's allegations of grave danger to the national security provided an insufficient foundation for enjoining disclosure by the *Washington Post* and *New York Times* of classified documents concerning the United States' activities in Vietnam."

SECURITY FOR ALL

When the Pentagon Papers were published, it turned out not to be the threat to national security the government had claimed. And when the American public learned of all that had been done and planned in the name of national security by the Nixon administration, they became understandably suspicious of such hand-wringing. Suppression of cryptography in the vain hope of keeping its results from widespread use can only further debase the coin of national security.

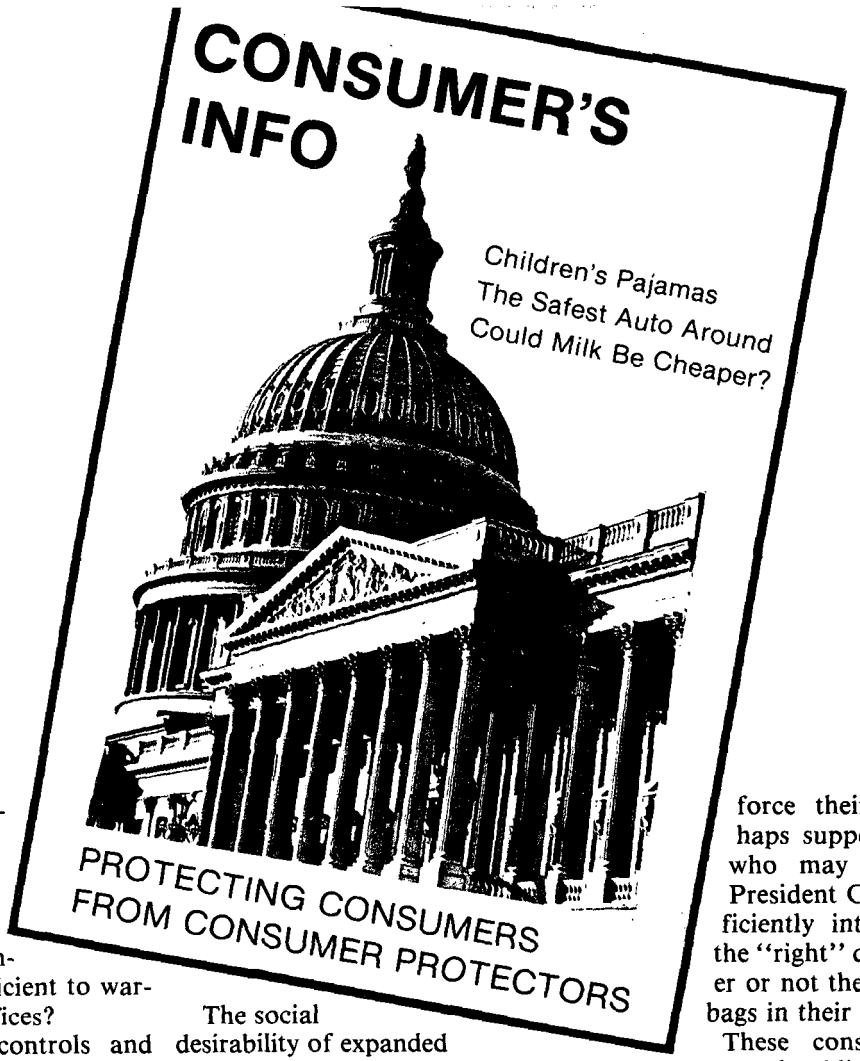
Yet there *is* a valid component of what may appropriately be viewed as national security, which the NSA and similar agencies have overlooked. That component is *privacy*. Without the right to privacy and the tools for maintaining it, there is no security for the American people—for the government, perhaps, but not for the people.

There appears to be a growing awareness, shared by almost everyone except the NSA, that cryptography is too important to be controlled by the government. And the NSA—for all the good intentions of its director—seems to be increasingly viewed as a bully with whom no one wants to play any more. Dr. Robert Lucky, who once served as a liason between IEEE and the office of the president's science advisor, reports a new consensus in IEEE: "We now believe that we should *not* try to work out any 'agreement' with the government—we only stand to lose the rights we now have." Officials in the Commerce Department are likewise wary of the NSA and, while leery of being directly quoted, are surprisingly informative and helpful. They want the public to be aware of the costs of controlling cryptography.

The electronic age we have entered truly is a revolution, requiring adjustments all across the spectrum of human life. It is not extraordinary, under the circumstances, that government itself must change. With the increasing sophistication of secure communications technology, one of the NSA's tasks—protecting US government communications—will become easier. And another task—analyzing foreign communications—will become virtually impossible.

But knowing the nature of bureaucracies, the NSA can be expected to fight tooth and nail to retain, and even try to enlarge, its power and its budget, playing the worn card of "national security" for all it's worth. "Perhaps it is a universal truth that the loss of liberty at home is to be charged to provisions against danger—real or pretended—from abroad," James Madison wrote to Thomas Jefferson two centuries ago. Some things have *not* been changed by the electronic revolution. ◻

Sylvia Sanders formerly worked for a newspaper in Washington state. She and her husband presently operate a farm in Iowa—an enterprise to which they hope to apply their new microcomputer.



and every electric appliance the consumer buys is harmless. But what are the costs of these accomplishments? Is it inevitable that the improvements will be sufficient to warrant the attendant sacrifices?

The imposition of controls and standards appears on the surface to be a rather easy, direct solution to complex problems. All we need to do is establish regulations that are in the *public interest,* set up a regulatory body, and hand over to its members the power to regulate in the *public interest.* But this popular impression of controls is deceptively naive. For one thing, people disagree. Many car buyers disagree violently with Ralph Nader over whether or not the VW Beetle should be allowed on the road. Some sports enthusiasts disagree with Mr. Nader on whether or not they should be allowed to choose to eat at ballgames hot dogs and beer that Mr. Nader declares to be "unhealthful."

In short, it is not clear much of the time what exactly is in the "public interest"; and where there is disagreement, the rules and regulations will reflect the wishes of one faction at the expense of another. The regulations will nonetheless be made by the members of a regulatory agency who will have their own preferences, biases, and prejudices and who may have no firmer grasp on the public's interest than does anyone else.

The social desirability of expanded consumer protection can be assessed largely in terms of the use which government has made of its historic regulatory powers. And it is often apparent that the general well-being of the consumer has been exploited by special interest groups who seek to improve their own economic positions behind the veil of government regulation. For example:

• We have legislated that car buyers *purchase* two headrests and six sets of seat belts—but how many people *use* them? Twenty-five percent of the driving public, perhaps? Do idle seat belts do any good for anyone, aside from the producers of the belts and those who paternalistically insist that everyone buy them?

In the fall of 1977, then-Secretary of Transportation Brock Adams came out in support of mandatory installation of air bags in new automobiles. More recently, air bags have been the pet project of NHTSA Secretary Joan Claybrook. The devices have been available for years, and most people have chosen not to buy them. But these regulators assume that they are duty-bound to force their purchase, perhaps supposing that people who may have voted for President Carter are not sufficiently intelligent to make the "right" decision on whether or not they should have air bags in their cars.

These consumer protectors are apparently oblivious to the social consequences of the forced use of such safety devices. We know from unhappy experience that the number of accidents and deaths on highways is highly correlated to reckless driving. We know also that the amount of reckless driving is related to the cost that drivers will bear in the event of an accident. Since air bags reduce some costs of personal injury to the driver, we may expect that mandatory air bags will lead to increased reckless driving and to increased accident rates. And, in fact, many automobile safety regulations have had the expected perverse effect: they have increased the number of accidents.

There are seemingly plausible theoretical arguments in support of requiring inspections of automobile headlights, brakes, etc. Such regulations, however, have had no detectable effect on the level of automobile accidents. What the regulations *have* accomplished is to hand to service stations and garages the monopoly power to force consumers to have more extensive, even if doubtfully effective, inspections and repairs than

they would otherwise choose. (A study by Mark Crain estimates that state inspection systems have increased automobile repair bills by 12 to 40 percent, depending on the state and inspection system used. On average, repair bills have risen $90 per year per car because of inspection systems.)

• Proposals for reinstituting price controls, similar to the ones in effect during the Nixon administration, are repeatedly heard. Controls are, of course, advocated in the name of protecting consumers from being "ripped off" by high prices. But such controls would again be ineffective—and for good reason: the task of efficiently controlling the prices of virtually everything consumers buy is simply too complex for any real-world government. And, ironically, the prices of those things which government has controlled directly or indirectly—including utilities, insurance rates, taxi cab fares, plane and train ticket prices, and postal rates—have been very high on the list of price increases over the years. With that record and with the steady rise in taxes, asking the government to control prices is rather like asking Hell's Angels to keep order at a rock concert.

• We have legislated that banks cannot pay interest on checking accounts. But what do we find? Banks in times of tight money try to attract deposits by giving away anything from pots and pans to green stamps and shotguns. One bank, in its effort to attract customers, "sold" money at a 20 percent discount. There is nothing reprehensible about trying to attract deposits, but these are inefficient means of paying interest.

There are limitations, too, on what lenders can charge, largely to protect the poor. But the most certain way to ensure that the poor are *unable to obtain* consumer credit is to control the interest rate on consumer loans. It may be lamentable that they are charged "high" rates of interest, but the poor reveal by their borrowing they prefer loans at high (market-clearing) rates to no credit at low (shortage-inducing) rates.

• The price of natural gas has been kept down by regulatory bodies in the interest of "equity." As a result, people scramble to use what they can obtain, and we face a seemingly perennial energy crisis, gas cutoffs, and distortions in the allocation of resources. In the process, we have effectively given OPEC a subsidy on each barrel of oil they sell to us.

• We have tried to legislate very high medical standards, and we have many superbly trained doctors. But we also have many people who, because of consequently high prices, go without professional medical care and in some cases turn to quacks or to home remedies that may be unsafe, ineffective, or inappropriate.

Putting government in charge of protecting the consumer is much like putting Dracula in charge of the blood bank.

In every state in the union, there is a plethora of rules and regulations governing entrance into a variety of trades, like barbering, and professions, like law. The regulations were proferred as ways of protecting consumers from "unethical" and "poorly qualified" operators. Their effect has been to restrict the supply of people in the regulated areas and to increase the prices that consumers have had to pay. To add insult to injury, as some consumers have learned, state licenses do little to distinguish the competent from the incompetent operators. After bearing the costs of restricted competition, they still must search out the quality of service they want.

• Since 1962 the government has required drug manufacturers to prove to the satisfaction of the FDA that new drugs are safe and effective for their intended use. The purpose has been to save lives, to avoid the tragic Thalidomide problem. But the new regulation has increased the gestation period for the development of new drugs from two to as much as eight years, resulting in an averge of four years—twice what it was prior to 1962.

The new law has saved lives that would have been lost by the introduction of unsafe drugs, but it has resulted also in the loss of lives that would have been saved if certain new drugs had been made available years earlier. Over the past several years, studies have found that FDA safety and efficacy requirements are resulting in more lost lives than saved lives. As drug-law researcher Sam Peltzman notes:

> *. . . any attempt to minimize risk in the area [of drug development] has costs which (according to the history of drug development) far exceed the benefits: those who will suffer death and disease while a potential drug therapy is evaluated will suffer no less than the victims of a drug disaster, but their number is likely to be much larger than the number of victims of the disaster. . . The unequal emphasis placed on the benefits and costs of risk taking may be explained, if not excused, by the contrast between the anonymity of the beneficiaries and the visibility of the victims.*

• In 1976 the FDA ruled that producers of cold, cough, allergy, and antihistamine products could no longer claim that their products "loosen congestion so you can cough it up or get it off your chest," or "promote free breathing," or "free secretions along the lower respiratory tract." Instead, manufacturers could claim only that, for example, their product increases "expectorant action to loosen phlegm (sputum) and bronchial secretion" and "relieves irritated membranes in the respiratory passage-way by preventing dryness through increased mucous flow." We must wonder if even the more sophisticated among us have, because of these new labels, any better idea of what the products do.

• According to a recent study done by George Sternlieb at Rutgers University, almost 20 percent of new-home costs—an average of $12,000 per house—is attributable to over-regulation of home building. Fred Case of UCLA's Graduate School of Management estimates that when the costs of governmental regulations and review procedures are added together, it may account for as much as 40 percent of the price of new homes. It is understandable that Congress has considered establishing a Consumer Protection Agency whose principal task would be to protect the consumer from all the other protec-

tive agencies in Washington! Given the history of consumer protection via government, however, we may all rest easier that this proposal was defeated.

• In 1965 the owner of a midwestern trucking firm, who found that the railroads invariably protested any proposed rate reduction that he submitted to the Interstate Commerce Commission (ICC), offered to transport yak fat from Omaha to Chicago for 45 cents per hundred pounds (freight rates regulated by the ICC vary with the products being transported). As expected, the railroads protested to the ICC: the "new" rates were obviously predatory. The ICC suspended the trucking firm's proposed yak fat rates and formed committees to study the yak fat rate structure. Only after serious deliberation did the ICC discover that yak fat had not only never been produced in the country but had never even been sold in the country! One may suspect that the regulators do not always know what they are doing.

Indeed, the evidence suggests that we should question the actual purpose of regulatory bodies like the ICC, which often give the public the impression that they have the interest of consumers at heart. George Stigler, after years of investigating the record of those regulatory agencies which control prices in specific industries, has concluded that for a long time we have deluded ourselves into believing regulation is *thrust* upon industries by the Congress and state legislatures, whereas in fact it may be more accurate to say that industries deliberately *procure* regulation in the interest of reducing competition, dividing the market, and setting prices. And the supposedly protected consumer must wonder, Just how do we regulate the regulators?

THIS IS PROTECTION?

If protecting the consumer were the true interest of our government, most of its new policies and policy proposals would never get past first base. One of the favorite ploys of government, for example, is to impose tariffs on foreign goods being imported into the country. Indeed, the tariff code of the United States is now thicker than the Los Angeles telephone directory. When tariffs are imposed, who is being protected? The consumer? Hardly. Tariffs, of course, simply increase the cost of consumer purchases.

Another standard government policy is to support the prices of certain commodities, usually by requiring that they be sold at prices higher than they would otherwise fetch in the marketplace, and sometimes by acting as a purchaser of last resort so as to keep the price high. Milk, that mainstay of the American table, has been price-supported by the government for years. Why? Leaving aside the substantial political contributions of the dairy associations, the rationale has been that this is the way to get more milk onto the grocery store shelves.

The cost of paternalistic protection of consumers from the perils of daily existence is by no means trivial.

Higher prices can indeed be expected to increase the amount of milk supplied; we can equally confidently expect people to reduce the amount demanded. The resulting surplus means increased government inventories of surplus dairy products and probably some milk destroyed. The cost of this scheme to consumers and taxpayers exceeds $1 billion annually.

The government is also often engaged in protecting consumers from one thing and in the process subjecting them to another. A case in point is the FDA's proposed ban on saccharin, proposed because experiments show that if, over a short period, a rat consumes the equivalent of 800 bottles of diet soda, it has a chance of getting cancer. (A comedian has an alternative hypothesis: "Do you know what a rat does when he consumes 800 bottles of soda pop? He *explodes.*")

When the FDA backed off its initial hardline position, instead requiring diet soda makers to provide a warning label on their product, people's willingness to make trade-offs was expressed quite clearly. Many people prefer to take the *small* chance of getting cancer in order to lead what *they* (not FDA officials) think will be a better life with less weight. That trade-off, of course, would not be open to them if the FDA had its protective way.

Another case in point is the government's requirement that children's sleepwear be fire-resistant. This resulted in the debacle of children sleeping in pajamas treated with what turned out to be cancer-causing chemicals. The government richly deserved the outrage that followed revelation of this case. The consumer should be able to ask: "If I am willing to take the precaution of keeping matches from my children and to pay for smoke alarms and a house that has a low probability of catching fire, why can I not have my children sleep in plain, simple cotton and not all of those chemicals?"

THE COSTS ADD UP

The cost of paternalistic protection of consumers from the perils of daily existence is by no means trivial. Murray Weidenbaum and Robert DeFina have conservatively estimated that the cost of federal consumer protection measures on the books in 1976 was a minimum of $6.6 billion, $1.5 billion of which was administrative costs incurred by the federal government and $5.1 billion of which was compliance cost incurred by firms. Many costs related to consumer protection measures could not be evaluated, and many other consumer protection costs are the result of state and local regulations.

The actual social cost of consumer protection is likely to be far greater than any direct estimate of administrative and compliance costs. Consumer protection measures shift the responsibility for consumer decisions from individuals, who have direct knowledge of what does and does not contribute to their individual welfare, to the government agencies, which are poorly prepared to judge how consumers are best able to protect themselves. These agencies must resort to development of broad rules that apply to a range of cases and are imperfectly adaptable to individual circumstances. The harm from improper use of consumer products is, therefore, likely to increase.

(Continued on p. 44.)

GOVERNMENT MEDICINE:

You want the good news or the bad news first?

By Llewellyn H. Rockwell, Jr.

IF ONLY we had a national health plan, they always say, we could control rising medical costs, curtail unnecessary tests and surgery and medication, and guarantee that no person will lie sick or dying for lack of money. What they don't ever say is that nationalizing medical care means that all doctors and other health care providers become government employees; that it means setting up a bureaucracy to dispense examinations, medications, surgery, and so on. This may seem like a minor price to pay for all the stated advantages of government provision of health services. People who are not convinced otherwise by the example of the federal bureaucracy that is closest to them—the US Post Office—ought to look at the British experience with socialized health care.

The National Health Service Act was passed by Britain's Labour-dominated Parliament in 1946. Two years later, Minister of Health Aneurin Bevan's dream, the National Health Service, came into being.

I recently visited England with a group of doctors and members of Congress. The purpose of the trip, sponsored by *Private Practice* magazine, was to give us a first-hand view of the workings of socialized medicine.

FREE LUNCH COSTS

Paradoxically, although the NHS budget has increased dramatically, Britain still spends on medical care a smaller proportion of its gross national product than almost any other Western nation. (The latest available data show that in 1976 Britons were spending 5.6 percent of that country's GNP on medical care, while US residents were spending 8.5 percent and West Germans 9.7 percent.) Politicians can always find more politically interesting uses for the taxpayers' money. As socialist politician Richard Crossman admitted: "People are prepared to subscribe more in a contribution for their own personal or family security than they ever would be willing to pay in taxation."

Thus, because every cent spent on medical care must come from taxes, too little is spent. And too much—too much, that is, because such a large percentage of the Health Service budget goes for administration, which benefits patients not at all. In fact, it harms them, by bureaucratizing the delivery of care.

In the Health Service, there are five layers of almost impenetrable bureaucracy: the Department of Health and Social Services, the Regional Health Authorities, the Area Health Authorities, the District Management Teams, and the Sectors (Hospitals). Stories are rife concerning the effects of all this administration on the health care being administered.

- In Newcastle, young doctors making applications for residencies have their candidacies considered by 14 separate committees. In Truro, the local bureaucrats spent $150,000 on "reorganization" but refused to allocate $40,000 for the operating rooms desperately needed by the city's major hospital.
- The dean of a medical school in northern England adds up all the committee meetings he is supposed to attend and finds they would take *all* of his time, leaving none for work.
- One London hospital finds 25 percent of its outpatient records missing, thanks to administrative mix-ups.
- A clinical professor at a great London teaching hospital says that the simplest hiring decisions take a year.

TERMINAL WAITING

Bureaucratic, rationed medicine can have more dangerous effects than administrative muddle, however. Mike Wallace, in a laudatory report on the NHS on the TV program *60 Minutes,* told of a woman who needed open-heart surgery and got it immediately, with no expense but bus fare from home. He missed the more typical story of the woman from Wales whose case was described in a report by Sir Alan Marre, the NHS ombudsman: After a long wait she was called into the hospital for open-heart surgery on January 20. On January 30, one day before she was to be operated on, the surgery was cancelled and she was discharged because of crowding on the surgical schedule. Four and a half months later she was readmitted but was again discharged four days later. She was to enter the hospital again on June 27 but on June 26 she was notified by telephone that her operation was cancelled. She died two days later.

The NHS ombudsman also reported on a man needing surgery as a result of an automobile accident. Even though his pain prevented him from working, he had to wait more than 11 months.

A general practitioner referred a woman patient to the hospital for a biopsy of a lump in her breast. It was eight weeks before the hospital got around to it, and afterwards she was discharged while still groggy from the anesthesia. When she returned to have the stitches removed, the biopsy results were "not available." Some days later her doctor was notified that the lump was malignant. He then referred her back to the hospital for surgery, but she was informed that they could give her no firm date for admission.

An elderly woman needed a hip replacement. She was told that she could be admitted in nine months to a year. Two years later she was still thirty-second on the list. Another older lady was placed on the waiting list for hip replacement. One year

after her admission had been classified as "urgent," she was still waiting.

An orthopedic surgeon at St. Mary's Hospital, Paddington, told me that any elderly person needing a hip replacement *will probably die* before getting to the top of the list. In London, he said, it takes an average of nine months to get an *appointment* with an orthopedist. In other specialties it is not much better, with waiting lists for hospital admission ranging from one to two weeks for acute cases, to *two to three years* for hernias and other non-life-threatening problems.

Dr. Christian Loehry, chairman of the medical staff at Royal Victoria Hospital, said that crowding has led to patients' dying at home before they can be admitted, patients' dying in the emergency rooms after waiting hours for a bed, cancer patients' waiting up to six weeks for treatment while their tumors spread, the smuggling of emergency cases into the beds of patients being operated on (leaving no room for the patients who successfully return from surgery).

MAD AS HELL

One of Britain's leading orthopedic surgeons, Dr. John Cozens-Hardy, called a meeting of his patients, or would-be patients. He felt they were entitled to know why they had to spend years "imprisoned by constant pain." At the present rate, he told them, it would take 36 years to clear the 127 people on his waiting list. The delay was caused by a chronic shortage of beds, operating rooms, and trained medical staff. And the reason for the delay, he said, was political.

"I'm paid to help these people," he told a newspaper before the meeting, "but I am denied the opportunity. When this ever-worsening situation goes on, year after year, one reaches the point where one either resigns, commits suicide, or screams. I have decided to scream."

In Britain, overutilization caused by the zero price not only packs the waiting lists (some 750,000 people are on them by the government's own statistics); it also makes hospital stays longer. The average British patient will spend 11 days in the hospital for an uncomplicated hernia. Some hospitals average 21 days. For an uncomplicated cholecystectomy, the average is 10 days, with some hospitals averaging over 15. In non-government hospitals in the United States, the average stay for both operations is 5 to 6 days.

Just as doctors can't choose their patients, patients cannot choose their doctors. "When the patient eventually arrives in hospital for surgical treatment," said orthopedic surgeon Anthony Partridge, "he must sign a consent form before the operation can take place which states: 'No assurance has been given to me that the operation will be performed by any particular practitioner.' But the discerning patient wants to make sure that he has the surgeon of his choice....The patient is scared stiff of being operated on by some doctor in training. Even the politicians who want to get rid of private practice for the rest of us use it themselves when it is a question of a knife going into them."

Anthony Wedgewood Benn, the ex-viscount who leads the Marxist wing of the Labour party, has demanded the abolition of private medicine. But when Benn's small son required surgery, he was admitted secretly under Mrs. Benn's maiden name as a private patient. "This is in itself a terrible indictment," said British physician Ralph Haris. "It is a corroding force whereby politics is made into a sham. People who recommend the Health Service for everyone else—'It's the finest in the world'—avoid it when their health, or their family's, is at stake."

DANGER LEVEL

In many hospitals, over half of the doctors are Asian-trained. If difficult surgery is to be performed, the patient will probably have an English surgeon the equal of any in the world. For more routine surgery, he may get a doctor trained in Bangladesh.

Britain has such a high proportion of foreign physicians because of the "brain drain," which works two ways. British doctors emigrate to the United States, and England is a big attraction over Sri Lanka. And the process is accelerating. A resident at London's Charing Cross Hospital told me that out of the 25 doctors he qualified with, 10 have already left, with more on the way.

But the quality of the doctors immigrating to Britain is much lower than those leaving. Just recently the government started giving tests to foreign physicians wishing to join the NHS. Of the first two groups, 60 and 62 percent failed the tests in language and clinical skills.

"Half of the hospitals in the country should be closed," one NHS employee told me. But even at the better ones, food is atrocious and ancillary services are almost impossible to get outside normal working hours. Doctors told us they could usually get pathology and radiology services between 9:00 and 5:00, five days a week, but sometimes not even then. At night and on weekends, it was out of the question.

A young hospital doctor summed up his feelings for us: "The thing that disturbs me and I think disturbs most of us is that we can all see a steady

Illustration by Rick Seward

deterioration in the standard of service we're offering the patient. And that standard has now reached the danger level. Patients are suffering considerably due to this, and some are dying. We are simply not able to provide the care necessary."

Staff shortages at the Royal Northern Hospital in Holloway have led to hospital orderlies routinely administering anesthesia in the operating rooms. The Camden and Islington Area Health Authority has ruled this a safe and proper procedure.

Any elderly person needing a hip replacement will probably die before getting to the top of the list.

Medical care in the United Kingdom would be far worse, however, were it not for the dedicated English doctors I met. Ill-paid and overworked, they still work miracles for their patients. Dr. James Appleyard, pediatric consultant at Canterbury Hospital, works the normal specialist's week of 65-100 hours, even though his contract calls for only 30 some hours. For two years he devoted his spare time to raising private money, especially hard to get in overtaxed Britain, to built a pediatric intensive care unit that the government refused to provide.

But morale is deteriorating drastically. I didn't find one doctor who isn't bitter toward the NHS as salaries fall farther and farther behind inflation and standards of patient care fall just as quickly. As more and more doctors leave in disgust, the NHS can be expected to provide even shoddier care.

General practitioners are paid the equivalent in pounds of about $5 per patient per year. They usually have over 3,000 patients on their lists, to whom they must give unlimited service. "It is quite easy to manage 3,000 patients," said Dr. Anthony Partridge, "acting as a sort of clearing house. But it is quite impossible to doctor them, to listen to them and to reassure them, as we were taught to do as students. . . . The doctor is paid on quantity, not quality."

A proper first examination should take about 45 minutes, but in the NHS four minutes is the more usual pattern. Unlucky patients do not get even that but are given a prescription following a telephone conversation with the receptionist.

IF THEY ONLY KNEW

"We mourn," Sir Keith Joseph said, "for the advantages of a payment to doctors. Our doctors get no benefit from being popular. Our doctors get no benefit from being successful with patients. Our doctors get no benefit from courtesy to patients. The less time they spend on each patient, the better off they are. We are kicking against human nature in what we've done. The best of our doctors provide devoted service, but against the interests of themselves and their families."

Despite all this, the NHS continues to be politically popular. The British don't think about the kind of medical care they could enjoy if only they were able to spend the money themselves that their government spends for them. "The public," said Sir Keith, "regards the Health Service as being paid for by some invisible source of money and therefore is not realistic about either cost or the service that is to be expected."

As my bus headed away from London toward the airport, I asked the airline's representative, an attractive young woman but for her facial scars, what she thought of NHS.

"It's a good system," she said. "We get all our medical care free, you know. No worry about expense."

"No complaints at all?"

"It is rather slow. I had to wait eight years for an appointment with a plastic surgeon about my face. When I saw him, he said I'd have to wait a year for treatment. But it is free." ◧

Copyright © 1980 by The Intellectual Activist, Inc.

Llewellyn Rockwell is the former editor of Private Practice *and is currently an administrative aide to Congressman Ron Paul. This article is excerpted by permission from* The Intellectual Activist *(175 5th Ave., New York, NY 10010).*

McKenzie

(Continued from p. 41.)

Consumer protection laws and regulations also mean that government is given greater authority to "manage" the economy. As economist George Stigler has warned: "The State—the machinery and power of the State—is a potential resource or threat to every industry in the society. With its power to prohibit or compel, to take or give money, the State can and does selectively help or hurt a vast number of industries." People can be expected to compete for access to that power to use the State to further their own private interests or to secure protection by obtaining favorable government regulations that block out competitors. A part of the hidden cost of consumer protection is in the resources used by firms attempting to acquire political (as opposed to market) advantage.

Government has flagrantly abused its regulatory powers in the past. Is there any reason to expect a change in its future behavior? If we give government ever more power to regulate consumer purchases, we must ultimately return to the question of how to regulate the regulators. Indeed, how do we prevent the government from abusing the power it already has? Such questions are vital but not new. They have been asked by many, including James Madison over 200 years ago:

> *But what is government, but the greatest of all reflections on human nature? If men were angels, no government would be necessary. If angels were to govern men, neither external or internal controls on government would be necessary. In framing a government, which is to be administered by men, the great difficulty lies in this: You must first enable the government to control the governed; and in the next place, oblige it to control itself.* ◧

Richard B. McKenzie is a professor of economics at Clemson University. This article is adapted from a publication of the International Institute for Economic Research (1100 Glendon Ave., Los Angeles, CA 90024).

REPORTING ON SOVIET DISSENT:

The Forgotten People

By Walter Parchomenko

IN MANY RESPECTS, reporting on Soviet dissent in major American newspapers has been penetrating and sympathetic. Readers have been treated to a growing number of vivid, true-to-life portraits of Soviet nonconformists and their families. There are, however, serious deficiencies in current reporting that impair a balanced understanding of the range and scope of Soviet repression.

Stories of repressed Moscow dissidents and Soviet Jews conform to editorial notions of hard news. While they figure prominently in American reporting, equally important dimensions of Soviet dissent—the plight of persecuted Christians, Buddhists, Muslims, and dissidents from non-Russian ethnic groups—receive scant attention. Prominent newspapers that treat Soviet violations of human rights as urgent business rarely detail the plight of these people. Too often their suffering is ignored, minimized, or simply brushed over in detailed reports on Soviet dissent.

UNIMAGINATIVE REPORTING

When stories about these other dissidents are viewed as newsworthy, they usually manage to appear only in the world-news-in-summary columns of American newspapers. For example:

• On March 25, 1979, on page 5 in the world news column, under the heading "Soviet Said to Sentence Elderly Religious Leader," the *New York Times* carried the following three-sentence wire story on the fate of a prominent Soviet religious leader and human rights activist:

> *Moscow, March 24 (Reuters)—The 83-year-old leader of the Soviet Seventh-day Adventists was sentenced to five years at hard labor after his conviction yesterday on charges of slandering the state and infringing citizens' rights under the guise of religious activities, according to informed sources.*
>
> *Vladimir Sholokov [Shelkov], who has led the Seventh-day Adventists for the last 30 years, was one of five members of the denomination convicted yesterday in Tashkent, the sources said. Another of those convicted, Ilya Lepshin, was also sentenced to five years and his house was confiscated, the sources said.*

• On March 29, 1979, again on page 5 in the world news column, under the title "Ukrainian Rights Activist Is Reported Beaten Again," the *New York Times* covered the brutal physical and psychological attacks upon a respected human rights activist with this three-sentence wire story:

> *Moscow, March 28 (Reuters)—A young Ukrainian human rights activist in Kiev has been beaten for the second time in a week by men believed to be members of the K.G.B., the Soviet Union's security police, Andrei D. Sakharov, the dissident leader, said today.*
>
> *Dr. Sakharov said that Pyotr Vins, the 23-year-old son of Georgi Vins, an imprisoned Baptist leader, was set upon yesterday in the streets of the Ukrainian capital by four men in plain clothes. The same four men picked up Mr. Vins several days ago, drove him 40 miles from the city and beat him after he tried to see an American consular official, Dr. Sakharov said.*

• Earlier, on March 13, 1979, the *New York Times* devoted even less coverage to the disappearance of Oles Berdnyk, an internationally known science fiction writer and a founding member of the Ukrainian Public Group to Promote the Observance of the Helsinki Accords. A Reuters wire story, reprinted in the *Times,* noted that Berdnyk disappeared following a KGB raid upon his home.

This reportage is in many respects typical of the treatment that Soviet dissidents, prominent in their own country but virtually unknown outside the USSR, receive when their lives are clearly in danger. The failure to provide essential background information, human-interest details, and photographs is conspicuous. Particularly disturbing, in the weeks and months that follow such brief wire stories, is the absence of follow-up reports, news analyses, and commentaries on the victims and issues involved.

There are notable exceptions. They include detailed and sympathetic reports in many major newspapers on

sensational events such as the occupation of the American Embassy in Moscow by the Vaschenko and Chmykhalova families and on Soviet Pentecostals repeatedly denied permission to emigrate. Also widely reported was the April 1979 exchange of five Soviet dissidents, including Ukrainian historian Valentyn Moroz and Baptist leader Georgi Vins, for two Soviet spies imprisoned in the United States.

American readers see only gray, lifeless shadows where living people breathe, suffer, and die for human dignity.

Particularly noteworthy were two-page features in the *Christian Science Monitor* on July 18 and 24, 1979, on the condition of Soviet Protestants. Their tragic attempt to emigrate was humanized in uncommon detail in these reports. Most importantly, their suffering was placed in the context of thousands of similarly repressed Soviet religious believers, and core issues were deftly probed.

Generally speaking, however, American reporting on the situation of repressed Christians, Buddhists, Muslims, and non-Russian dissidents has not been penetrating. This situation is curious. It contrasts strikingly with the plethora of discerning, humanistic accounts on the suffering of Soviet Jews and Russian dissidents in Moscow, raising questions that beg for an answer: Why are these tragic stories routinely reported with less detail, scope, and imagination? Why is the suffering of these people judged less newsworthy?

INFORMATION FOR THE ASKING

This poor reporting defies simple explanation. It certainly cannot be attributed to a lack of adequately detailed and reliable information, for the evidence available on many of these neglected victims is rich and varied.

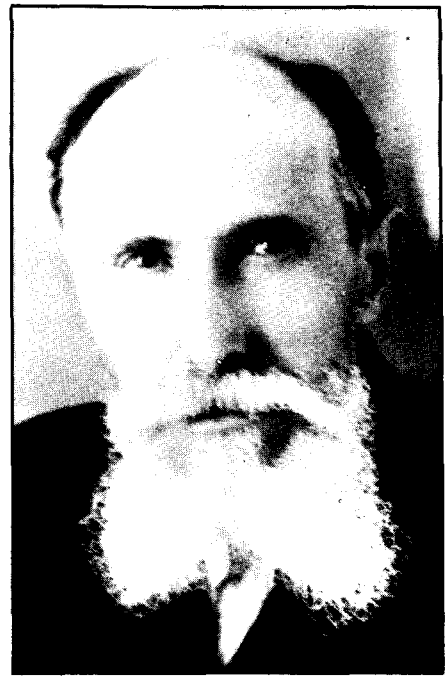
The most authoritative source, according to Soviet affairs specialists, is *A Chronicle of Current Events,* the underground journal of the Soviet human rights movement. This time-saving catalogue of the voluminous writings of the Soviet underground describes in detail the extremely brutal and incessant attacks upon religious believers, non-Russian dissidents, their families, and other victims of repression.

Available for more than a decade, the *Chronicle* has been described by prominent American newspapers as an invaluable and reliable source of information on Soviet society. Its factual record is checked for accuracy by human rights activists in Moscow and double-checked in London by Amnesty International, the Nobel Prize-winning human rights organization. The *New York Times* has commented: "What makes the *Chronicle* so impressive is its utter lack of melodrama."

American journalists reporting on Soviet dissent often face formidable constraints—the limitations of time, the need for specialized knowledge, official Soviet secrecy, and the effective isolation of these victims from reporters. No one is more aware of these obstacles to communication than the human rights activists and sympathizers who compile and disseminate the unofficial reports that fill the pages of the *Chronicle.* These individuals of conscience bridge the information gap created and actively sustained by Soviet authorities. Natalya Gorbanevskaya, an exiled Soviet dissident and a founder of the *Chronicle,* explains in an interview published in the January-February 1977 issue of the *Index on Censorship:*

> *Perhaps the Western reader sees this [incredible volume of information in the* Chronicle*] as normal, perhaps he thinks that this information gets to us via some ordinary channel, by post—but I know how difficult it is, how complex and almost impossible, and how it reaches us thanks to the gigantic efforts of all the people involved, and the gigantic risks taken, both by those in the camp or prison and those on the outside who do this.*

In the cases of Vladimir Shelkov, Pyotr Vins, and Oles Berdnyk, imaginative use of the *Chronicle* could have measurably enhanced reportage. Reporters and research staffs consulting the *Chronicle* could have easily come up with photographs and

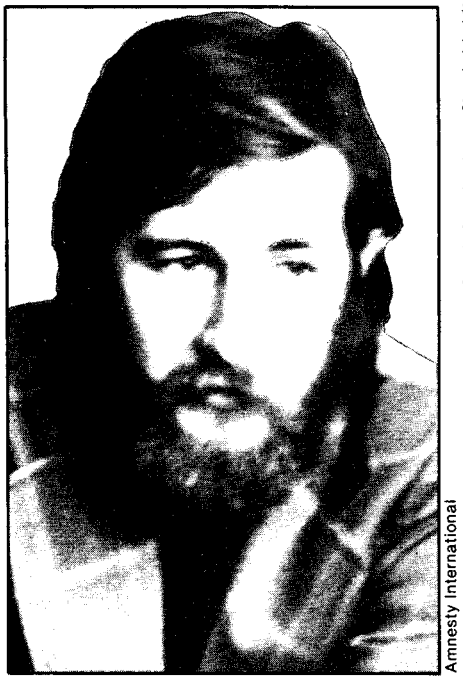


A.R.C.

Vladimir Shelkov

gleaned essential background material and human-interest details on these cases. A quick check of issue number 49 of the *Chronicle,* published in 1978 in English by Amnesty International, reveals in illuminating detail the brutal, massive, and destructive raids by KGB officials on unregistered Adventist communities in the Soviet republics of Uzbekistan and Latvia in March and April 1978 that culminated in the arrest of Vladimir Shelkov and many others. The same issue of the *Chronicle* also contains a factual account of the arrest, trial, and sentencing of Pyotr Vins in early 1978 for human rights activity; it underlines repeated efforts by members of the Vins family to emigrate. Similarly, even a cursory survey of recent issues of the *Chronicle* discloses sufficient information to personalize the brief wire story on Oles Berdnyk.

Additional details and photographs of neglected victims can be culled from other equally reliable unofficial sources. They include the *Chronicle of the Catholic Church in Lithuania,* the *Bulletin of the Council of Relatives of Evangelical Christian-Baptist Prisoners,* and the innumerable memorandums and bulletins of Helsinki Watch groups in various Soviet republics. Most of these sources are available in English and easily accessible to journalists.



Amnesty International

Pyotr Vins

SHADOWY ANONYMITY

The chronic failure of American newspapers to probe essential dimensions of Soviet dissent has serious consequences. For the neglected victims of Soviet repression, the effects are incalculable. Denied the protection that so often follows negative public reaction, they are repressed in darkness, silently, unheard.

Media inattention to the plight of these victims does not go unnoticed by Soviet authorities who monitor the Western press. It fosters the Soviet perception that Americans are selective in their defense of human rights, and it permits Soviet officials to assert and assiduously propagate the mistaken notion that all dissidents are Jewish and that Jews are the only sizable group of persecuted Soviet citizens currently seeking to emigrate. This misconception is perhaps the most significant factor behind the exclusion of Christians and non-Russian dissidents from emigration.

For American readers, the implications of this imbalance in reporting on Soviet repression are virtually unseen. Even the most perceptive reader of major American newspapers remains only dimly aware of the separate reality of repressed religious believers and non-Russian dissidents. There is no widespread appreciation of the sense of urgency that colors their struggle for physical, psychological, and spiritual survival. American readers see only gray, lifeless shadows where living people breathe, suffer, and die for human dignity.

Few Americans are aware of the severe persecution of these neglected victims. Soviet Protestants, for example, who refuse to permit the KGB to take the place of God in their church are routinely beaten, threatened with denial of parental rights, fined, arrested, and imprisoned; often they are tortured, sometimes raped and murdered, invariably for their religious convictions. Since its founding in 1961, Amnesty International has documented more than 1,000 cases of Soviet Protestants imprisoned for their beliefs. Added to these are countless other religious believers—Ukrainian and Lithuanian Catholics, Russian and Ukrainian Orthodox believers, Buddhists, and Muslims.

On the treatment of Christian prisoners, Ukrainian prisoner of conscience Rev. Vasyl Romanyuk wrote from his place of internal exile in Yakutia in early 1979: "They face twice as much repression as other convicts. They are abused by camp administrators, the criminal prisoners and the guards, and this goes unpunished." Testifying before the US Commission on Security and Cooperation in Europe on June 7, 1979, exiled Soviet dissident and Baptist leader Georgi Vins confirmed Romanyuk's eye-witness testimony, adding that the inhuman treatment extends to all religious prisoners, Christians and non-Christians alike.

UNREPORTED TRAGEDIES

Most Americans are also unaware that non-Russian dissidents typically incur maximum prison sentences and frequent resentencing. It is not uncommon for these individuals to spend 25 years of their lives in prison for demanding Soviet compliance with the country's own laws and the international agreements that its officials have signed.

Nor is it widely known that non-Russian dissidents make up a disproportionately large percentage of political prisoners in Soviet camps and prisons. Nobel Laureate and Moscow dissident Andrei Sakharov and exiled Ukrainian dissident Valentyn Moroz have separately estimated, in 1977 and 1979 respectively, that Ukrainians account for more than 50 percent of the population of Soviet political prisoners. In an interview with exiled Russian dissident Alexander Ginzburg, readers of the *New Republic* learned that in Mordovian Camp Number One, where he was interned, more than 80 percent of the political prisoners are Ukrainian. These figures take on added meaning with the realization that Ukrainians constitute roughly 20 percent of the entire Soviet population.

Soviet officials assert and assiduously propagate the mistaken notion that Jews are the only sizable group seeking to emigrate.

Added to the Ukrainians are other non-Russian political prisoners—Balts, Georgians, Armenians. It was only natural, then, that a list of 14 imprisoned and exiled Helsinki monitors in the USSR prepared by Amnesty International in June 1979 contained the names of 11 non-Russian dissidents.

Few Americans realize that thousands of Christians and non-Russian dissidents in the USSR are systematically denied permission to emigrate despite their unyielding efforts. The fact that more than 20,000 Soviet Pentecostals alone have been repeatedly denied their right to emigrate has not figured prominently in the spate of newspaper reports on Soviet emigration policy. American reporting on Soviet emigration, following the official Soviet line, typically reduces the subject to Soviet Jewish emigration. Almost invariably, journalists ignore or treat peripherally the attempts of "the others."

The inverse relation that exists between newspaper reportage on these neglected victims and their significance for any serious assessment of the range and scope of Soviet repression reflects a conspicuous and unwarranted habit of reporting. There are no cogent reasons for journalists and editors to brush over the severe plight of these victims. That they do

(Continued on p. 52.)

BY BERNARD H. SIEGAN

THE DECLINE AND FALL OF ECONOMIC FREEDOM

How the Supreme Court reversed itself on economic regulation

As hard as it may be for the present generation to envision, there was a period in our history when the US Supreme Court was a leading opponent of social and economic regulation. This was the era, between 1897 and 1937, of "economic due process." The Fifth and Fourteenth Amendments specified that neither the federal government nor any state shall deprive any person "of life, liberty, or property, without due process of law." And the justices interpreted these prohibitions to mean that government could not, except in specified or extraordinary circumstances, prevent individuals or corporations from freely engaging in the production and distribution of goods and services.

If economic freedom is to be limited, maintained the Court, Congress and the state legislatures must carry the burden of justifying such regulation, much as they are now required to do when they pass laws restricting freedom of expression. In the belief that the framers of the original Constitution and of relevant amendments sought to protect economic activity from government restraint, the justices struck down a considerable amount of economic and social legislation.

In 1934, however, the Court began to change direction, relaxing the high standards by which it had measured arguments seeking to justify such legislation. Three cases—challenging limitations on entry into business and on the setting of prices and wages—illustrate the trend. The thinking of the justices who stood in the path of economic regulation would soon be found only in the Court's dissenting opinions; deference to legislative "wisdom" eventually carried the day.

In 1932, in *New State Ice Co.* v. *Liebmann,* the Supreme Court stood firmly on its interpretation of constitutional guarantees of free economic activity, but a lengthy dissent foreshadowed the shape of things to come. The *New State Ice Co.* case concerned a 1925 Oklahoma statute declaring that the manufacture of ice for sale and distribution is a "public business" requiring a certificate of public convenience and necessity from the Oklahoma Corporation Commission. (Under such a requirement, a firm wishing to enter into a business must prove that its proposed service will benefit the public and is not already being adequately provided by another firm.)

Liebmann commenced construction of an ice plant without applying for a certificate; New State, an established firm, sued to enjoin his operation. Liebmann won in both the federal district and appeals courts. New State appealed to the US Supreme Court, where two philosophical opponents squared off: Justice George Sutherland for the majority of six, and Justice Louis D. Brandeis, long a champion of economic regulation, for the minority of two (one justice not participating).

The majority, applying the standards of economic due process, held that Oklahoma had not presented justification to warrant infringing Liebmann's liberty to enter the market. The ice business, wrote Sutherland, was not a "public business" (for which the Court had earlier sanctioned regulation) but was essentially as private in nature as most others on which the community is dependent. The practical effect of the restrictions was to shut out new enterprises and thus to foster monopoly.

> *The aim is not to encourage competition, but to prevent it; not to regulate the business, but to preclude persons from engaging in it.... There is nothing in the product that we can perceive on which to rest a distinction, in respect of this attempted control, from other products in common use which enter into free competition, subject, of course to reasonable regulations prescribed for the protection of the public and applied with appropriate impartiality.*

Sutherland was willing to accept some regulation when public health and safety were concerned—but not the restrictions embodied in the challenged statute. And he rejected Oklahoma's suggestion that it should be allowed to experiment to ascertain the desirability of the law: "There are

certain essentials of liberty with which the state is not entitled to dispense in the interest of experiments."

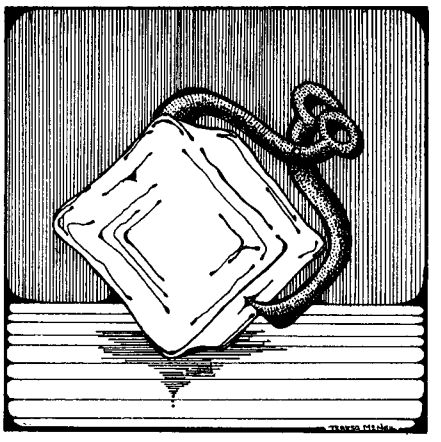
Brandeis's lengthy dissent, which outweighed (31 versus 10 pages) and outpointed (55 versus no footnotes) his opponent's, constitutes an engaging explanation of the regulatory process. Those who want to learn about the rationale for airline or trucking regulation will find few better sources.

Brandeis was not concerned that competition would be eliminated. He contended that conditions of natural monopoly prevailed in the ice-making business, that it was therefore not subject to economic competition, that "the relative ease and cheapness with which an ice plant may be constructed exposes the industry to destructive and frequently ruinous competition."

But the notion that competition among ice producers would result in a single monopolistic firm had no basis in fact. Eight plants then existed in Oklahoma City and Tulsa, capable of producing daily more than 200 tons of ice for sale. Brandeis seemed oblivious to a phenomenon evident in many industries. Competitive industries are frequently highly fluid, with companies constantly entering and leaving. The most efficient survive; and with the passage of time, relative stability often results. Bars on entry into an industry protect companies from competitive forces that operate to restrain price increases and reduce inefficiency. Whatever monopolistic tendencies *were* present in Oklahoma ice making were perhaps not attributable solely to marketplace dynamics but to the 17 years of limited regulation that had preceded the 1925 statute. (In communities in which a company enjoyed a "virtual monopoly" of the ice business, the Corporation Commission had fixed or approved prices, required "equitable distribution," and stipulated business and sanitary practices. Such regulation could well inhibit investment.)

Brandeis conceded that regulation might promote monopoly. But if so, he argued, its results would be economically beneficial and legally harmless:

Where, as here, there is reasonable ground for the legislative conclusion that in order to secure a necessary service at reasonable rates, it may be necessary to curtail the right to enter the calling, it is, in my opinion, consistent with the due process clause to do so, whatever the nature of the business.



Teresa McNeil

The ice industry favored regulation—a fact which Brandeis marshaled in support of his arguments.

Despite the extensiveness of his inquiry, Brandeis did not question the legislature's conclusion that regulation would provide greater service at more reasonable rates. At the time he wrote, the country had little experience with economic regulation, and theory had to substitute for practice. Theory argued that regulation would stabilize the industry by limiting competition and would provide services that the market does not offer. Generally, however, only the first objective can be realized; cost considerations tend to limit the second.

When *New State Ice Co.* arose, competition among ice producers was very keen in some areas of the state and limited or nonexistent in others. While Oklahoma could reduce competition, the state could not demand that the ice makers serve the entire population, for the expense involved would be too great. They would be required to sell only within designated areas, probably not much larger than the areas previously served by the unregulated market. Consumers in those areas would have to pay a greater than competitive price because competition was restricted, and they would also be charged for the cost of expanding services.

The ice industry favored regulation—a fact which Brandeis marshaled in support of his arguments. He might have done better to include, among the authorities he consulted, Adam Smith, who had long before warned about support for regulation from this sector:

To widen the market and to narrow the competition, is always the interest of the dealers. To widen the market may frequently be agreeable enough to the interest of the public, but to narrow the competition must always be against it. The proposal of any new law or regulaton of commerce which comes from this order, ought always to be listened to with great precaution, and ought never to be adopted till after having been long and carefully examined, not only with the most scrupulous, but with the most suspicious attention.

Considering the Oklahoma statute in the light of present understanding, one would have to conclude that most of its beneficiaries would be wealthy companies and individuals; consumers and prospective entrants would be disadvantaged, and neither public health nor safety would be augmented. Given the narrow rewards of the statute, the state had little reason to deny Liebmann a liberty basic to a private enterprise society.

Brandeis wrote his *New State Ice Co.* dissent during the Depression, and his comments reflect a disillusionment with economic competition characteristic of the time. To him, the law seemed neither arbitrary nor unreasonable and therefore, he argued, not unconstitutional. His remark, however, that "the reasonableness of every regulation is dependent upon the relevant facts" suggests that, had he better comprehended the consequences of the Oklahoma statute, he might have voted with the majority.

Within two years of the *New State Ice Co.* case, the Depression-inspired anti-competition pressures that influenced Brandeis's dissent prevailed. The barrier of economic due process, so long held in place by the Supreme Court, began to crumble.

During 1931 and 1932, milk prices in New York declined drastically, to a point below the cost of production. Amid farmers' strikes and violence, the state legislature conducted an in-

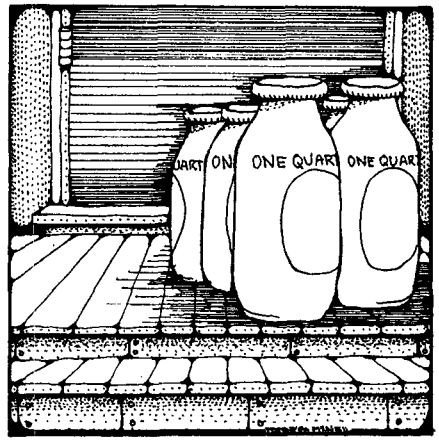
vestigation and adopted a statute establishing a milk control board to regulate the industry and set prices at the retail level. The legislation was tailored to satisfy the large milk dealers and farm representatives; largely unrepresented in the legislative hearings and conferences were proprietors of small retail stores.

Nebbia, who owned a small store in Rochester, was convicted of selling two bottles of milk and a loaf of bread for eighteen cents, thus undercutting the fixed price of nine cents per quart. When *Nebbia* v. *New York* reached the US Supreme Court in 1934, the justices, in a 5-to-4 decision, upheld his conviction against a challenge that the setting of minimum milk prices violated the seller's rights under the Fourteenth Amendment's due process clause.

Rejecting the standard that had previously applied, the majority, through Justice Owen J. Roberts, held that the due process guarantee demands only that the law not be unreasonable or arbitrary and that it have a substantial relation to the legislature's objective. The justices repudiated the Court's long-standing position that legislation could be exempted from the requirements of economic due process only when it pertained to businesses affected with a public interest. The new rule called for much more limited scrutiny of legislative action in economic matters. Without probing the effectiveness of the law, the majority ruled, that under existing circumstances, it was not unreasonable for New York to enact legislation that deprived Nebbia of the liberty to sell milk at a price of his own choosing.

The dissenters totally rejected this standard of review. Justice James C. McReynolds, writing the minority opinion, contended that the only question was whether justification existed—either because of emergency conditions or because of the public nature of the industry in question—for depriving Nebbia of his rights under the Fourteenth Amendment. He found no such justification. The milk industry was a private calling not affected with a public interest.

As to the presence of an emergency whose magnitude justified the law, the legislative findings and report should not be deemed conclusive:



"A superabundance; but no child can purchase below the figure appointed by three men at headquarters!"

"Are federal rights subject to extinction by reports of committees? Heretofore they have not been." In fact, argued McReynolds,

> *The exigency is of the kind which inevitably arises when one set of men continue to produce more than all others can buy. The distressing result to the producer followed his ill-advised but voluntary efforts. Similar situations occur in almost every business. If here we have an emergency sufficient to empower the Legislature to fix sales prices, then whenever there is too much or too little of an essential thing—whether of milk or grain or pork or coal or shoes or clothes—constitutional provisions may be declared inoperative.*

Even had there been an emergency, said McReynolds, the means proposed would not achieve the legislative purpose—to increase farmers' income. Economic analysis tends to support him. While the precise impact of fixing minimum prices depends on the severity of the controls and the responsiveness of demand to prices, increasing prices is likely to cause a reduction in consumption, thereby exacerbating, not alleviating, the producers' woes. The farmers had nothing to gain by this restraint on Nebbia's liberty.

It was primarily the large retailers who supported the setting of minimum prices. Their existence was threatened by price cutting, they claimed, and if they were forced out of business, milk distribution would be disastrously impaired, to the serious detriment of milk producers. Such assertions are difficult to accept, for these are inevitable risks in a competitive society, which has generally demonstrated its ability to withstand them. In any case, the fact that changes in economic conditions may affect entrepreneurs differently does not usually justify preserving the existence or profits of those adversely affected.

For legislation that would compound rather than relieve the problem of excessive production, the public was being forced to assume a heavy burden, noted Justice McReynolds:

> *To him with less than nine cents it says—You cannot procure a quart of milk from the grocer although he is anxious to accept what you can pay and the demands of your household are urgent! A superabundance; but no child can purchase from a willing storekeeper below the figure appointed by three men at headquarters!*

McReynolds concluded:

> *The Legislature cannot lawfully destroy guaranteed rights of one man with the prime purpose of enriching another, even if for the moment, this may seem advantageous to the public. The ultimate welfare of the producer, like that of every class, requires dominance of the Constitution. And zealously to uphold this in all its parts is the highest duty entrusted to the courts.*

The *Nebbia* case had all the trappings of radical drama: powerful interests, depression, exploitation, excessive milk prices, and criminal sanctions. McReynolds's opinion ably speaks to these issues: "A superabundance: but no child can purchase from a willing storekeeper below the figure appointed by three men at headquarters!" Still, it has received no recognition from those who condemn economic due process as a wicked tool of laissez-faire capitalism. Surely McReynolds's dissent would have been described as powerful, eloquent, and moving in a setting more to the liking of the critics. His prose is scarcely in keeping with the image of old-guard reactionaries and those who tread on the rights of the masses. And it should be very provocative: Why have so many legal

commentators and historians missed the point of economic due process?

If *Nebbia* signaled the approaching end of economic due process, *West Coast Hotel* v. *Parrish,* decided by the Supreme Court in 1937, marks its formal termination. Employing the *Nebbia* standard, the 5-to-4 majority determined that a Washington state statute establishing minimum wages for women and minors was a reasonable exercise of legislative discretion.

They thus overruled a 1923 decision, *Adkins* v. *Children's Hospital,* in which the 5-to-3 majority, per Justice Sutherland, had held unconstitutional a similar congressional statute for the District of Columbia. Sutherland had used the old standard, that only exceptional circumstances warrant abridgment of freedom of contract, and he found none. He had rejected the position that women require restrictions that could not lawfully be imposed on men under similar circumstances. And to the contention that the law would serve the public interest, Sutherland had replied eloquently:

> *To sustain the individual freedom of action contemplated by the Constitution, is not to strike down the common good but to exalt it; for surely the good of society as a whole cannot be better served than by the preservation against arbitrary restraint of the liberties of its constituent members.*

Were an appropriate challenge to be instituted at this time against a law establishing a minimum wage for women, the primary legal issue would be whether the statutory classification by sex meets the equal protection requirements of the Fifth and Fourteenth Amendments. To withstand constitutional attack, the Court has held, classification by sex must serve "important governmental objectives and must be substantially related to the achievement of those objectives." In the light of this recent terminology, the present Court, were it ruling on the matter for the first time, probably would agree with the result in *Adkins* and not with that in *Parrish.*

Contemporary economic understanding, too, would support such a ruling. Laws that elevate the minimum wage above market will elevate some workers' pay, but they also will cause employers to fire or not to hire workers, thus creating and maintaining unemployment. Studies published in recent years conclude that general wage minimums have reduced employment for the marginally employed, those who would otherwise earn lower wages. Limiting such a law to women will not therefore achieve the legislative end of improving their condition because it will reduce the level of their employment. Moreover, as Justice Butler observed in a 1936 opinion upholding *Adkins,* "prescribing of minimum wages for women alone would unreasonably restrain them in competition with men and tend arbitrarily to deprive them of employment and a fair chance to find work."

Today, equal rights advocates agree that laws limiting a woman's hours and types of work act to narrow her employment opportunities.

Special working conditions for women have not always been advocated solely for their protection. In a book published in 1905, Florence Kelley, head of the National Consumers League, concluded:

> *In many cases, men who saw their own occupations threatened by unwelcome competitors, demanded restrictions upon the hours of work of those competitors for the purpose of rendering women less desirable as employees. In other cases, men who wished reduced hours of work for themselves, which the courts denied them, obtained the desired statutory reduction by the indirect method of restrictions upon the hours of labor of the women and children whose work interlocked with their own.*

Many feminists in the 1920s decried such legislation as another instance of the paternalism that for centuries had "protected" and harmed them. The Women's Party had filed a brief in *Adkins* urging the Court to strike down the Washington, D.C., law. An odd coalition of radical feminists and libertarian-conservative justices triumphed, for a short time and in a small area, over the combined forces of liberals and unions. Today, equal rights advocates appear to agree that laws limiting a woman's hours and types of work act to narrow her employment opportunities, one of her most important liberties.

Indeed, the comments of Chief Justice Charles E. Hughes in the *Parrish* decision stand the the concept of liberty on its head:

> *The liberty safeguarded is liberty in a social organization which requires the protection of law against the evils which menace the health, safety, morals and welfare of the people. Liberty under the Constitution is thus necessarily subject to the restraints of due process, and regulation which is reasonable in relation to its subject and is adopted in the interests of the community is due process.*

These remarks are at variance with a fundamental idea of our society, that the State's power over people is limited. American constitutional tradition—and, as we have seen, much contemporary economic understanding—supports instead Sutherland's opinion, in *Adkins,* that "the good of society as a whole cannot be better served than by the preservation against arbitrary restraint of the liberties of its constituent members." ◻

Copyright © 1980 by Bernard H. Siegan

Bernard H. Siegan is a professor of law at the University of San Diego School of Law. This article is adapted from Economic Liberties and the Constitution, *just published by the University of Chicago Press.*

Parchomenko

(Continued from p. 47.)

so is particularly appalling given the considerable influence that prominent American newspapers can exert on Soviet officials by publicizing their human rights violations. They can move the neglected victims of repression from obscurity to light or, through inattention, can cast them into shadowy anonymity.

What is called for is careful, discerning, and sympathetic reporting about *all* victims of Soviet repression.

What is called for here is no less than careful, discerning, and sympathetic reporting about all victims of Soviet repression, regardless of their ethnic or religious background, regardless of the group influence of their counterparts in the West. Needed are journalists and editors willing to discuss frankly and openly the serious imbalance in American reporting on Soviet repression, individuals determined to bring convincing detail and breadth of perception to important but sorely neglected dimensions of Soviet dissent. Otherwise, religious believers and non-Russian dissidents will continue to be the forgotten people of the USSR—forgotten by all but their persecutors.

* * *

On January 27, 1980, at the age of 84, Vladimir Shelkov died in a Siberian labor camp in the autonomous republic of Yakutsk. ◻

Walter Parchomenko is a free-lance writer based in Washington, D.C. He specializes in Soviet and East European affairs. He has published in the Christian Science Monitor *and* Commonweal.

LUCIFER'S LEXICON

by L.A. Rollins

Americanist, *n. One who loves the Liberty Bell, perhaps because he or she has something in common with it.*

anti-imperialism, *n. The last refuge of an imperialist.*

disco, *n. A type of music for people with their brains in their booties.*

informed sources, *n. pl. Sources who claim to be informed.*

Islamic Republic, *n. A representative theocracy.*

reliable sources, *n. pl. Sources who* I say *are reliable.* (Trust me, you fools.)

revisionist, *n. One who knows that everything you know is wrong.*

TV star, *n. A mediacrity.*

unity, *n. A state of general discord and mutual bullshitting.*

Have You Seen...

REASON's look at what computers can do for you?

August 1979 $2.00

In this issue a management consultant specializing in electronic data processing projects himself into the year 1995 and finds that computer technology has allowed people to study and work at home (or in small dispersed offices connected electronically). The result? A more decentralized and diverse society. And an editor of the *Economist* also shows how computers are helping to shrink government. Also in this issue: a REASON reporter talks about San Francisco's private police; a space specialist rummages through history to find whether the USSR did or did not compete in a race to the moon; and two economists dispute the cost-effectiveness of conscription.

Please send me_____copies of the August 1979 issue of REASON. My check or money order for $_____ is enclosed. (Payment must accompany order.)

Name_____

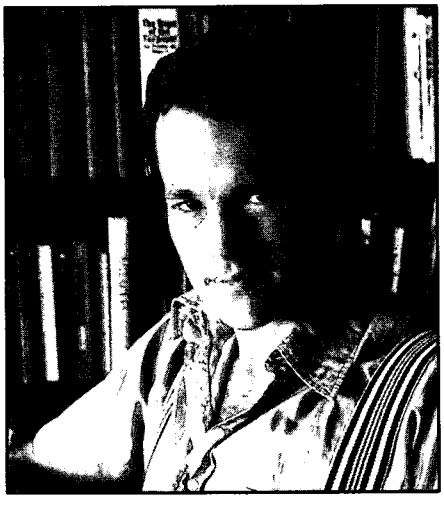
Address_____

City/State/Zip_____

Mail to:
Back Issue Dept.
REASON Magazine
Box 40105
Santa Barbara, CA 93103

The Last Returns

viewpoint



James Dale Davidson

You may have thought that you were finally rid of the 1980 election. Not so. There is one straggling commentary, drafted in the final days of the campaign, that adds utterly nothing of redeeming social value to what has already been perhaps the most overreported political event in America's history.

Don't shout for mercy; keep reading. This is the tale, missing from the *New York Times* and other high-minded publications, of candidates as they do not wish to be recalled.

I have made a personal sport of collecting flubs, misstatements, and embarrassing moments in the lives of those who would be president. What I have discovered is that, by and large, anyone who becomes a candidate for that high office is in strange company. According to the Federal Election Commission, hundreds of people file reports officially declaring themselves in the running. Among them: Earl Vern Blackjack Stevens, of Lebanon, Missouri; Jimmy Ray Schubert, candidate of the Council of Contra-Establishment Conservationists; Robert Waverly Hopson, III, the self-described "Supreme Court Judge of the Upper Supreme Court"; and many others. The prophet Elijah, operating from a post office box in New York City, was also an also-ran. Robert W. Hopson sought the presidency in order to stave off a civil war. Hopson had already assumed the title "General of the United States of America" and expected big trouble "if I am not granted full authority to command my army."

As usual, the candidates included some pledged to eliminate crookedness in government. Garrett B. Trapnell felt particularly qualified for that elusive task. He campaigned from the federal penitentiary at Marion, Illinois, where he is a prisoner with convictions for bank robbery, hold-ups, fraud, and skyjacking.

Candidates like these prove to be almost supernaturally unpopular. Some may have received no votes at all. What is fascinating about this is not that there are many characters who will risk the heartache of registering with the Federal Election Commission in what is obviously a lost cause. More interesting is that the distinction between the serious candidates who might actually be elected and those who were largely cranks trying to get their names in the paper is far less than you might imagine.

This has been demonstrated by the career of Harold Stassen, who in 1980 ran for president for the sixth time. Mr. Stassen had not won an election in at least 30 years, but that is not the point. Most of us never win an election. What is remarkable about Mr. Stassen's career as a candidate is not that he aspired to power but that he almost made it. He was once the boy wonder of politics as governor of Minnesota. Some experts believe that the only reason Stassen failed to become president is that he fumbled a few sentences in a 1948 radio debate with then New York Governor Dewey. As a result, Stassen narrowly lost the crucial Oregon primary. That cost him the Republican nomination. If he had been the nominee, he probably would have been president. He was generally a far more dynamic and able campaigner than Dewey. Polls showed Stassen with a commanding lead over President Truman.

Most voters in 1980 could not remember how Harold Stassen muffed his big chance. But they could see him in action decades too late. He spent at least $24,414.35 of his own money in yet another dreamy attempt to reach the White House. What made his campaign particularly ironic was that, unlike other minor candidates whose material indicated that they knew their candidacies were jokes, Stassen formulated articulate and apparently responsible positions. He did not want to subsidize dueling or appoint Charo secretary of Housing and Urban Development. The candidate who eventually won may be no more qualified for the job than Stassen.

For example, former President Ford was almost lured into the campaign on several occasions. He first announced that he might consider running for president if the Republican convention were to deadlock. Then he indicated that he might launch a last-minute campaign to stop Reagan. Then, during the Republican convention, Ford appeared willing to assume the vice-presidential slot. Had he accepted, that would have given him a chance to continue a career of fumbling sentences that makes Harold Stassen's long-forgotten radio slip-up seem like the Gettysburg Address. Consider these examples:

- Ford once introduced linguistics professor and US Sen. S. I. Hayakawa as "Professor S. I. Hayacomma."
- When questioned during the 1976 campaign about the health of the economy under his administration, Ford claimed that there would be an economic resurgence in 1976's "fifth quarter".
- Campaigning in Rockland County, New York, Ford ended a rousing stump speech by telling a crowd that he wished to represent them "in the Oval office in the next two years."
- In a pitch for the black vote, Ford pledged an all-out war on "sickle cell Armenia."
- In a diplomatic toast to Egyptian President Anwar Sadat, Ford hailed Sadat's leadership of the "great people of Israel."
- At a White House breakfast, Ford announced that Daniel Moynihan's successor at the United Nations would "follow the same policy of challenging some of the Third and Fourth World powers, calling a spade a spade."
- As part of the Bicentennial celebration, Ford explained the famous lantern code in the story of Paul Revere as "one if by day, two if by night."

But why pick on good old Jerry Ford you ask? No particular reason. Ford seems to be quite a fine fellow, one of the few men over 60 without a hitch in his golf swing. Many similar episodes could be recalled in the case of other candidates. But this is a short column. I have to be satisfied with a suggestive, rather than an exhaustive, presentation of the evidence that big-time politicians do indeed flub up.

(Continued on p. 63.)

spotlight

Free-Market Consumer Advocate

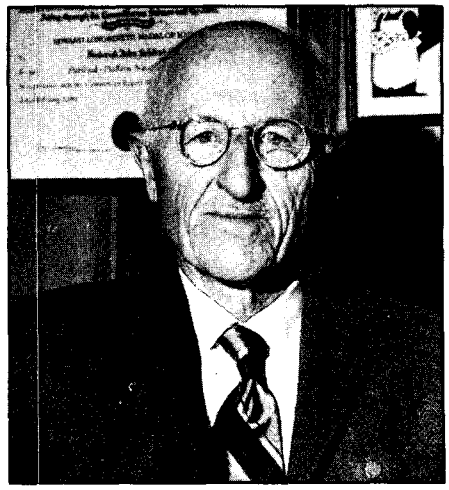
By Patrick Cox

Antibusiness consumer groups have come to be such an aggravation to those concerned with liberty that it is at times difficult to remember that consumer education is not an evil in itself. Though the best-known "consumer advocates" frequently take stands that are close to totalitarian in their reliance on compulsion, the world's oldest consumer magazine is firm in defense of free enterprise and critical of government interference in the marketplace. It is one F.J. Schlink, founder of *Consumers' Research* magazine and its parent organization, who will go down in history as the original pioneer in the field of consumer education.

Like other consumer organizations that have followed in its wake, Consumers' Research analyzes products and services of all sorts, from cars to can-openers, making the results available in a publication. Unlike many of those other groups, however, Schlink and his staff treat the government like any other producer and apply the same consumer standards to "public" services as they do to private services. A recent issue reported for example, on the government's push for installing air bags in automobiles, pointing out that the chemical that will be used in these air bags, sodium azide, may be a cancer-causing agent, thus posing a threat if the air bag is punctured. The magazine is sold by subscription and can be found in practically every library in the country even if it is not as well known as its counterpart from Consumers Union, *Consumer Reports.* The editorial position of the latter is generally favorable toward and even demanding of government regulation of various and sundry producers, and it frequently offers readers articles by, for example, socialist economist John Kenneth Galbraith.

Ironically, Consumers Union is an offshoot of Consumers' Research. As Mr. Schlink recounts, several CR employees—an ex-staffer of the *Daily Worker* and several other leftists—tried to force the magazine into an anticapitalist stance in post-depression 1936, when socialism was the intellectual rage. When their proposed shift of outlook was rejected by CR's management, the group struck, and the case was one of the first heard by the newly established National Labor Relations Board.

During the course of the dispute, the dissidents physically attacked their office building in Washington, New Jersey, shooting through windows and vandalizing employees' automobiles. According to Schlink, "The rioting stopped when the local constabulary got mad about the fact that they had women blockaded in the building at night." The take-over attempt



Frederick John Schlink

failed, and the group lost its case before the NLRB. The disenchanted employees packed their bags and departed to start their own organization—Consumers Union (from which Ralph Nader resigned five years ago because of its "soft line"). Schlink jokes: "You can see that it's a tender and loving bunch that began Consumers Union."

Schlink was first subject to public exposure in 1927 when *Your Money's Worth,* a book he wrote with Stuart Chase, was published and attained best-seller status. The book became a standard in schools and a Book of the Month Club selection. It was the first attempt to rate consumer products using scientific methods. According to Schlink, the perception at the time was that only government could afford to test and set specifications for the products it purchased, and his book was the breakthrough in making affordable product information available to all consumers.

Around the same time, Schlink helped form a consumers' club in White Plains, New York—"a town," he says, "that had a lot of intellectual people, not including myself." The club led to a basement office in New York City and a mimeographed pamphlet in 1927. A year later, the pamphlet on consumer information was printed for the first time. Five years later, after Schlink had added to the staff, the organization moved to a former piano factory in New Jersey, the eventual scene of the violence of the collectivists who formed Consumers Union.

F.J. Schlink, at 90, is technical director of Consumers' Research, overseeing the product-testing end of the operation. His credentials easily qualify him for the job. He has a bachelor's degree in science and a master's in engineering from the University of Illinois. He is a fellow of the American Society of Mechanical Engineers, the American Physical Society, and the prestigious Franklin Institute. He is presently on the board of directors of the American National Standards Institute, the organization that facilitates the voluntary standards that result in, for example, different companies' light bulbs fitting into the same socket. His books include *Eat, Drink, and Be Wary* and *100,000,000 Guinea Pigs.*

Schlink is very critical of the federal government's attempts to take over the field of "voluntary standards"—the technical specifications of product safety, performance, and design of innumerable products in use today. He is very critical of government product testing, and Consumers' Research refuses to accept money from the government, as well as from business or labor. He has spoken out against regulatory agencies' adversary approach, criticizing their willingness to do anything *but* help businesses correct a problem. "We don't proceed that way," an official of the Securities and Exchange Commission once told him. "We wait until we've got enough evidence to go to court."

Schlink is equally critical of other consumer groups who encourage government involvement in consumer matters. Consumers' Research does not spend one cent on lobbying or legal action against manufacturers; their money, obtained through consumers' purchase of its publications, goes into product testing and reporting the results.

Schlink and the magazine are conservative, not libertarian. They do not ask for the removal of government agencies, just their reform. And while they are often critical of the government's stance on the

safety of certain items—as with air bags—a recent *Consumers' Research* feature unquestioningly reported the position of the National Council on Drug Abuse (an arm of the Department of Health and Human Services) on the potential dangers of marijuana use.

Schlink, in his ninth decade, is described by others as alert and vigorous, working every day. His analysis of regulatory trends is encouraging and his explanation startling. He believes that most of the regulatory agencies are improving, becoming much more reasonable than in the past. His conjecture is that Ralph Nader and his crew have so successfully discredited existing regulatory agencies as ineffective or insufficient to control the economy that many people expect less of government in the field of consumer protection, taking pressure off regulatory agencies to "do something" about perceived problems. If he's right, it's poetic justice. In the meantime, F. J. Schlink will continue to tell people "not to rely on government agencies...but to use their own intelligence, the only thing they can ever really rely on."

Patrick Cox is a free-lance writer.

taxes

Living and Loving under the IRS

By Timothy Condon

Ahh, our majestic government, protecting the sacred ideals of the nuclear family. Striving—yea, even through income tax policy—to see that the struggling American family will not die. Ah life. Ah love. Ah hogwash.

Because, you see, there is a thing popularly called "the marriage tax," wherein people who desire to be married, and who are both employed outside the home, are forced to pay *extra* taxes. Often thousands of dollars in extra taxes. Which means that, through national tax policy, people are penalized for being married—and thus encouraged to just live together In Sin.

This whole problem has been much in the news over the last several months. Seems a couple of crusading lovers, with an on-again, off-again marriage, got nabbed by the IRS for sneakily beating the marriage tax. "Pay up," snarled The Service. "Get Lost," said Angela and David Boyter, when they were presented with a $3,134 bill in extra taxes for their 1975 and 1976 returns.

It seems the Boyters didn't like paying several thousand dollars in extra income tax each year, just for the privilege of being married. So they flew off to Haiti in December of 1975, had a wonderful time, and got divorced. One good party deserves another, they must have thought, so they turned around and remarried in January in their home state of Maryland. The end of 1976? They flew to the Dominican Republic—what the hell, never been there before—had a ball, and got divorced. Then remarried back home in early 1977. And then they did it *again*. Tax savings? They figure it to be about $15,000—or, considerably more than it cost to take those trips to the sunny Caribbean.

The trouble was, the IRS decided to take them to court over it. So the couple decided to fight it. Right on up into the US Tax Court. Came the decision in early August: pay up. But here's the funny thing: the Tax Court didn't rule on the IRS's argument that the divorces should be overlooked as "sham" proceedings to save on taxes. No, the Tax Court decided the issue on the narrow grounds that, even though Maryland courts hadn't considered the problem of such foreign divorces, the Tax Court could choose the rule they "believed" the Maryland courts *would have* chosen *if* they had ruled on that issue—namely, that the foreign divorce decrees were not valid for Maryland residents.

So, even though the Boyters are going to have to pay up, there are no Tax Court (or other) cases which say you can't take a nice trip each year, get divorced while vacationing, then pay for the trip with your tax savings. The whole idea appeals to me, in fact. I'm just waiting for the couple who not only take the savings from being divorced but also deduct the expenses of the trip as *expenditures made for tax savings*. Now *that* would be a nice fight.

Should you do it? Well, it's not against the law, despite what the IRS says. What it boils down to is whether you and your spouse are both working and you obtain a divorce that is recognized as valid in your state. If so, the more bucks you're both making, the more likely that a merry-go-round divorce will pay off for you. And with no-fault divorce laws prevalent in America today, you could dispose of the issue that sank the Boyters by doing the act in your own home state (or in another state or country by establishing domicile in accordance with your state's requirements).

In our happy divorcers' case, they were each making about $33,000 a year. If you and yours are each making about $25,000 a year, your tax savings this year *could* be (in the absence of any other tax breaks) on the order of $2,874. Or, if you're both pulling down $15,000 a year, you could save $907.00 by being divorced—still enough to pay for that Caribbean party, for some.

Of course, there's also the fact that most people won't even be audited or checked—and even then the chances are large that such little indiscretions would be missed. In the meantime, as *Time* magazine pointed out, "relief may be spelled C-o-n-g-r-e-s-s." But it probably won't come till next year.

So if you've got a mind to try it, you'd better jump on it *right now*. This issue is probably in your hands in mid-December. To take advantage of this unique tax-saving device, you've got to be legally divorced as of midnight, December 31. All right, get your bags together. Use that Christmas stash your in-laws dumped on you. Don't forget the golf clubs. Good luck. God be with you. And don't forget to write...let me know how it turned out.

TAX QUESTIONS

Q: For tax purposes, is there a limit to the amount donated to charities, educational foundations, and churches?

D. G., Katy, TX

A: The charitable deduction limit *for individuals* is normally 50 percent of adjusted gross income (found on line 31 of the 1980 Form 1040). This rule applies for most of what we all know as "charitable" institutions and tax-exempt foundations. If there's any question in your mind about the status of such an organization, you should check with them or an income tax manual. Different rules apply, involving different limitations, for contributions of capital gain property. Ditto for donors other than individuals, such as corporations. If you're looking to give your money to someone other than the State, my favorites are the Reason Foundation (Box 40105, Santa Barbara, CA 93103) and the Sabre Foundation (325 Pennsylvania Ave., S.E., Washington, DC 20003).

Timothy Condon, a member of the Florida Bar, is a tax specialist with the Condon & Vollrath Tax Service in Tampa, Florida.

arts & letters

movies

- **The Blue Lagoon**
- **Ordinary People**
- **The Elephant Man**
- **Kagemusha**

Reviewed by John Hospers

• The old Lucky Strike ads used to tell us, "Nature in the raw is seldom mild." The makers of **THE BLUE LAGOON** would have done well to keep this observation in mind. When you are on an island, even a lush tropical island, without tools or any means of sustenance, your first concern is survival. Food is a problem even there, and in the tropics there are hostile animals, insects, and snakes, as well as constant dangers lurking under water. None of this comes out in the film. The two principals seem no more bothered about survival than if they were romping about in an English garden. Nor are the frequent quarrels between them noticeably different from the day-to-day domestic squabbles in a middle-class English home. For realism, this film deserves an F.

An F is also the proper grade on its script, which is a collection of tired clichés. Nor do the principals (Brooke Shields, Christopher Atkins) exhibit much ability to act. The natural background, a Fijian island, is quite beautiful, at least as photographed, though there is an annoying tendency toward self-conscious arty effects. Exhibitions of the human body *au naturel* go much further than they did a generation ago when Jean Simmons starred in a film from the same book, but the I.Q. level seems to have dropped in proportion. What the film caters to is the ever-recurring but quite fallacious belief in primitive innocence on an island paradise, where existence is blissful and life is pleasantly indolent, while the standard of living remains high with very little in the way of labor or insecurity. The benefits of civilization are brought home to one (as never happens in this film) the moment anyone needs a shot of penicillin.

• The film isn't exactly about **ORDINARY PEOPLE.** They are more than usually affluent, but on the surface one would say they are an unusually happy family. But bit by bit the cracks begin to show. The film builds slowly, piling up bits of seemingly trivial but very significant detail, and gradually and inexorably the drama unfolds.

The film is totally honest and uncompromising in its attempt at psychological truth. It eschews all false melodramatics, all hints of phoniness. In its almost clinical examination of a family relationship, it cuts much more deeply beneath the faces people put on to meet other faces than does any recent American film. (Such psychological probing is much more frequent in French pictures.) The realism is so unsparing as to be unsettling to film audiences accustomed to standard clichés—for example, two people being silent for several minutes and then bursting into speech at the same moment. It is all observed and recorded with meticulous care, giving the film a strong ring of truth.

Though Donald Sutherland seems a bit less than totally successful in the role of the father (perhaps because the character he portrays seems less coherent), Mary Tyler Moore as the wife and Judd Hirsch as the psychiatrist and most of all Jim Hutton as the teenage son—intense, jumpy, and hostile—give utterly convincing and flawless performances. The film shows us, perhaps more than any other since James Dean starred, how enormously difficult it is for even the most well-meaning laymen to reach those who are mentally disturbed. We are made to feel how irrelevant to the son's problems the reactions of his parents are, but their own problems are not lost on us either. There are no heroes and no villains, just the complexity of human interaction and the great difficulties of communication.

In this, his first film as director, Robert Redford manages to elicit more complexity and intensity of feeling from his actors than he expressed in all his acting roles put together.

• In the stage play **THE ELEPHANT MAN,** the leading part is played by a normal-appearing man, and we have to imagine his deformity from the horrified reactions of those around him. In the movie, we are granted no such illusions. The full deformity is visually present, though it makes him look more pathetic than horrible—and it is in no way sensationalized. We are quite a way through the film before we even see him without a cloth to cover his face. The film is based on the real-life history of John Merrick, a victim of neurofibromatosis in London in the 1880s, and the background is tellingly delineated (happily, in black and white) in this singular British film.

There are at least three heroes in the enterprise. One is director David Lynch, who could have made it maudlin or melodramatic but gave in to neither temptation, instead making it a film of great power, with nuances and visual imagery that trigger primordial responses deep in the viewer's psyche. The second must certainly be the make-up designer, Christopher Tucker, who contrived the haunting face (not to mention whoever spent six to eight hours a day putting it on). Finally, there is that most remarkable actor, John Hurt (the elephant man), who came into prominence 10 years ago in a fine British film, *Ten Rillington Street,* and has been seen numerous times since, most recently as the English junkie in *Midnight Express.* This part must have been the most difficult of all to do, with no facial expressiveness possible, except for the enormously revealing eyes, and having to take on a new voice (and feign difficulty in speaking at all because of the deformity); yet the performance is so masterful that we feel an immense surge of sympathy for this hideously deformed creature. John Gielgud, Anne Bancroft, and Anthony Hopkins, as usual, turn in superlative performances.

As history the film is somewhat flawed by some contrived scenes toward the end, which may, however, have been dramatically necessary. After we have observed the poetic and sensitive soul that lies beneath the deformity, it is almost unbearable to see him thrown into a cage of baboons. There are other scenes also that are gut-wrenching in the pathos they evoke, and the cruelty of those who use him as a sideshow freak arouses audience indignation such as one seldom sees. It is an emotionally involving film, sensitively handled and flawlessly performed, but it is certainly not for everybody: it holds a mirror up to human nature with too much brutal honesty for that. And perhaps the real villain is Nature herself for producing such a gross deformity in one so undeserving of such a fate.

• Akiro Kurosawa has probably had more influence on film history than any other director now alive, and his work in turn was greatly influenced by the work of

two other great Japanese directors, Ozu and Mizoguchi. He caught the attention of American audiences in the '50s with *Rashomon,* a murder mystery seen successively from four perspectives, and *Seven Samurai,* the adventure story to end all adventure stories. His *Hidden Fortress* was the main inspiration for *Star Wars* (whose director, George Lucas, co-produced this film), and his *Ikuru* starred an old man weary of a meaningless bureaucratic job and determined to make his last months memorable. Kurosawa's sensitive and probing treatment of this theme rendered this film the equal of De Sica's acclaimed picture on the same theme, *Umberto D.* Kurosawa's 1976 film, *Dersu Uzala,* starred a benevolent old Siberian trapper and was an enduring paean to man's closeness to nature. (It's still my favorite film of the last five years.) And now comes his latest, **KAGEMUSHA** (The Shadow Warrior), in which Kurosawa returns to the samurai theme of his earlier films such as *Yojimbo* and *Sanjuro.* If you enjoyed seeing *Shogun* on television (set in the same period of Japanese history), you might enjoy seeing the real thing in *Kagemusha.*

The realistic scenes of war and carnage will not be to everyone's taste, but the psychological penetration into the main characters should, as will the story line: a petty thief who is about to be crucified for his crime turns out to be an exact double of the local warrior-king, and to save his own life he is ordered to impersonate the king after the king's death, thus keeping the clan together. The problems involved in keeping this pretense alive are fascinating as well as sometimes funny; memorable too is the tragedy that ensues when the one-time thief has been inwardly transformed into a regal personality, but his retinue isn't aware how ably he is now impersonating the dead king. The theme of "the double" seems to have a constant allure, as seen in remakes of *The Prisoner of Zenda* and *The Great Impersonation* (the latter is still the greatest cliff-hanger of all novels on this theme, though the film made from Oppenheim's novel was far from adequate).

But Kurosawa's luminous imagination transcends the others, and his story is Homeric in its epic sweep (the three-hour-long film is condensed from a longer version shown overseas). As always in Kurosawa, the story line is clear, coherent, and absorbing. He proceeds at his own meticulous pace, and his refusal to be hurried provides enrichment and depth. Nor does Kurosawa hesitate to go in for such "uncinematic" devices as long conversations in one place, with protracted facial close-ups. The characters are treated with great understanding and compassion. Best of all perhaps is the entrancing visual imagery with which the film is saturated—never flashy or arty, but with a kind of stately autumnal majesty, as if Kurosawa, who is now 70, is saying to us, "Whatever happens, beauty and order endure—see, here it is, surrounding us even in the midst of chaos and destruction."

John Hospers is a professor of philosophy at the University of Southern California. His book Understanding the Arts *will be published this year by Prentice-Hall.*

books

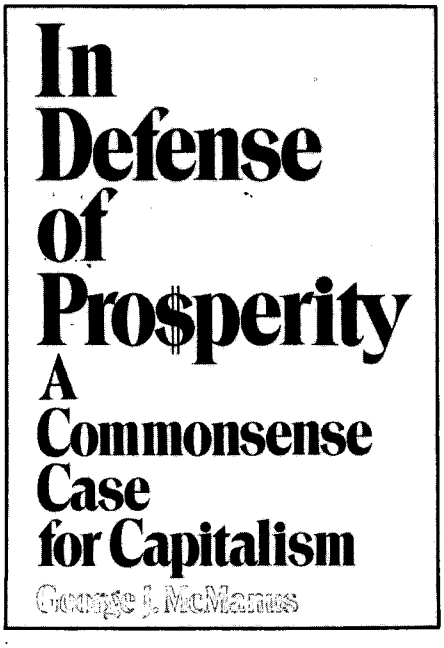
What Can Be Said For the Free Market?

Capitalism: Sources of Hostility
Edited by Ernest van den Haag
New Rochelle, N.Y.: Epoch Books. 1979. 206 pp. $9.95.

In Defense of Prosperity: A Common-Sense Case for Capitalism.
By George J. McManus.
Radnor, Penna.: Chilton Book Co. 1979. 217 pp. $10.95.

Reviewed by John Hospers

"While capitalist countries live in the greatest prosperity the world has ever seen, the supporters of the market system are an embattled minority, certainly among the intellectuals, but also among other groups," writes Ernest van den Haag in the introduction to *Capitalism: Sources of Hostility.* Why this is so is the subject of this book.



Though the market system produces inequalities of distribution, says van den Haag in the opening essay, it leads to superior economic results for everyone: the market is so efficient that even if only a small percentage of the national income is redistributed, more is available for redistribution to those disadvantaged by nature or misfortune than in any alternative system. The technology it has produced (including medical technology) is so enormous that even those who did nothing to earn its rewards obtain them as if they had been gifts from above. But the recipients are not aware of this difference between the fruits of capitalism and the poverty of all precapitalist times. What they do see is that they have less than others around them, and for this they curse the market system that is in fact their chief benefactor.

Compared with all previous ages, capitalism has eliminated poverty. Yet we hear more about the "war on poverty" than ever before. Why is this? "Poverty has come to mean *inequality,* not plain misery," and anything but a completely equal distribution of income would fail to satisfy the claimants' demands. The result is resentment by anyone who has less against anyone who has more; yet the complete egalitarianism that alone would squelch that resentment would make economic risks not worth taking and, by bringing production to a halt, would culminate in having nothing to distribute.

The young are hostile to the market system that enabled their parents to become affluent. But for the young this affluence is a "given" that does not have to be earned but only redistributed: "production has been taken care of," and distribution is the only problem. Moreover, their background of affluence has gotten them in the habit of immediate gratification of their desires—something that the market, with its inevitable risks and initiative and patience, cannot supply.

Roger Starr, in an ensuing essay, discusses the groups hostile to the market: the Third World (it must preserve its socialist dictatorships), international organizations (concerned with distribution, not production), and intellectuals (they do better for themselves when tied to political rulers than they would in the marketplace). To compound all this is guilt about being affluent when others are not, and a failure to see that others could have become affluent by adopting the same policies as those who are.

In the most psychologically probing essay, Prof. Louis Feuer discusses why such men as Bernard Shaw, Eric Fromm, and Herbert Marcuse came to be enemies of the market. Unlike physical scientists,

the humanistic intellectual "lacks the ballast of empirical verification for his hypotheses [and] empathizes with the sufferings of men under the yoke of the market system. He forthwith visualizes a social system in which these sufferings will be removed." The universities, meanwhile, spew out thousands of people "psychically unemployable in lower occupations," nourishing discontent. "Today's younger generation has enjoyed more maternal care than any previous one" and dislikes the harsh winds of competition, preferring instead a paternalistic socialistic government. The more radical students, writes Stanley Rothman, have "strong power drives, little concern for people as people, high levels of generalized hostility, and a considerable narcissism"—hardly a combination of qualities that renders their conversion to the market system a likely prospect.

There are essays by Nathan Glazer and Dale Vree partly critical of the above conclusions. In summarizing all the data, Rothman concludes that "liberal capitalism has indeed been an historical oddity that, like an earlier experiment in democracy (Athens at the height of its glory), always carried within it the seeds of its own decay." None of the symposiasts disagrees with this, though not all are equally convinced.

This is not the kind of reading to console you after a hard day's work. But it is full of unexpected insights and well worth reading whether or not one agrees with its central thesis. The arguments leading to the conclusion, however, are much less systematically arrayed than they are by Benjamin Rogge in his recent book *Can Capitalism Survive?* (Liberty Press, 1979).

Those who are *not* hostile to capitalism could use a book like McManus's to hand to any acquaintances who believe that socialism is the best method for the production and distribution of goods. The needed book, however, would have to be *unlike* McManus's, also, for it adds up to 200 rather uninspiring pages of prose, complete with charts.

The book does live up to its title. It not only defends prosperity but tells us how to achieve it as a nation. There is a chapter on how wealth is created (by production in the private sector). There is an account of how economic growth is achieved (laissez-faire). There is a chapter on the distribution of wealth in the free market (everyone is better off) and how poverty has been largely created (through the actions of government). There is a chapter on how to obtain and sustain economic rewards (don't stifle incentive).

There is a chapter on capital formation and why it is lagging in the United States (the government absorbs too much through taxation), and why cheap mass production is faltering (the current market value of capital goods, not their replacement value, is tax-deductible). There is a discussion of what happens when the national budget is in deficit (the government competes for loan money with private borrowers, sending the rates up) and why it is necessary to have profits (it enables producers to put the profits back into production, thus expanding employment).

We are instructed, too, about regulation: it places too much power in the hands of government (government operates inefficiently, and "too much regulation is counter-productive"). Government "social spending" is discussed at length (transfer payments increase, but poverty continues and the middle class is squeezed) and how to stop this (lower taxes; don't expand the money supply). What should government do in the future? Tax less, spend less.

All this is true and important. But the tale has been told many times—and much better. Henry Hazlitt's *Economics in One Lesson* (2nd ed., Arlington House, 1979) is a much better book to put into the hands of a dogmatic liberal-socialist: it presents basic economic facts with exemplary clarity and order while riveting the reader's attention. Carl Snyder's 1940 volume *Capitalism the Creator* does a much more thorough and systematic job than McManus does, and so does Laurence Fertig in *Prosperity through Freedom*. On special topics, such as the present deterioration of American capital formation—which is indeed cause for high alarm, yet not one American in a thousand knows anything about it—there are pieces in recent issues of the *Freeman* that do this much better.

To carry conviction to those unacquainted with the economic facts of life, this kind of material must be presented with a certain elan that is quite lacking in the sluggish pages of this book. A needed infectiousness of style is primarily what is missing. Nor is there any overall philosophical viewpoint to organize the facts and make them come alive. Hostility to the market will not be countered with the facts alone; the praises of capitalism must be *sung*.

John Hospers's forthcoming books are: The Prospects for Capitalism *(Arlington House),* Understanding the Arts *(Prentice-Hall), and* Human Conduct *(new ed., Harcourt Brace Jovanovich).*

The Perils of Futurism

The Seventh Year: Industrial Civilization in Transition.
By W. Jackson Davis.
New York: W. W. Norton. 1979. 296 pp. $18.95.

Reviewed by James R. Dunn

"This book is a chronicle of the future," says its author, W. Jackson Davis; and indeed it is. Unfortunately for Davis's thesis, no chronology exists for the future, so one must be fabricated from trends. (We would say "extrapolated" if futurism were a science.)

Davis's fabrication is seductive. He begins with excellent definitions of physical laws for the nonscientist and woos the reader with data and graphs leading to the conclusion that only a "cornucopian," as he calls the nonbeliever, could disagree that a totally new era (depletion, etc.) is imminent.

Not only am I a cornucopian, focusing on a different future from that which Davis sees; I am also a geologist. I have spent my professional life dealing with natural resources as unseeable as The Future, but there has been this discipline: since subsurface reserves extrapolated by geologists are soon measured as "production," being right is fairly critical in the science of geology. In any case, I sympathize with Davis's task, faced with such a mass of opinion and data.

And what a mass of data, well-interpreted and cleverly related. Davis copiously quotes to "prove" that industry is not only depleting our resources but is killing us with wastes, filling our minds with materialistic ideas, and boring us with the drudgery of the workplace. Largely ignored are facts such as these: that life expectancy in industrial societies continues to increase, and that technology has historically created more resources than it has used—that is, mineral reserves are human concepts, created by demand and technology. Any calculation of known mineral reserves versus demand at any time in human history could have shown—and over and over again were taken to have shown—that reserves were rapidly approaching exhaustion. Ten thousand years ago it would have been arrowhead flints.

Historically, people in agrarian societies have always sought to escape the drudgery, frustration, and uncertainties imposed by living off the land. The author does not deal with this, nor does he deal with the fact that the agrarian societies of Africa, South America, southern Asia, and the Middle East are destroying, at the highest rate in human history, their land, their forests, their soil and water resources. Even in China reforestation is only marginally successful, although it

might become more so as the country becomes more industrialized and less dependent on forests for energy—at least this is what other industrial countries have been able to do. As a "cornucopian," my predictions do not lead me along Davis's path, to an agrarian society populated by communes of happy people toiling from dawn 'til dusk, enjoying the satisfaction of hard work, unhampered by labor-saving devices of modern technology, no longer concerned with the "monotonous pursuit of the paycheck."

Seers have a tough row to hoe these days. Because of the accelerated momentum of change, much of the material required to produce such a volume as *Seventh Year* may be superseded by the time it is as well assembled as Davis's. *The Seventh Year* is a potentially valuable book. Scientists may see such a compendium as a *method* for thinking of the future. Unfortunately, many laymen will see it as Truth. The trouble with such intellectual exercises is that they have a self-fulfilling aspect. Presently, for example, the no-growth philosophy is itself undoubtedly a major cause of no growth.

Seventh Year is well written, a consistent summary of data from one perspective. But it demonstrates that when facts are diluted with opinion, the result must be called opinion.

James Dunn is a retired teacher of geology, now chairman of the board of Dunn Geoscience Corp.

Economics Made Clear

The Government against the Economy.
By George Reisman.
Ottawa, Ill., and Thornwood, N.Y.: Caroline House. 1979. 207 pp. $12.95.

Reviewed by Howard McConnell

While the intellectual economic climate in the United States is slowly changing in the direction of economic freedom, the momentum of government intervention continues unchecked in its rush to keep up with established policies. Evidence for the former assertion can be seen in the recently enormously popular book, *Free to Choose,* by Milton and Rose Friedman. The recognition of F. A. Hayek with a Nobel Laureate citation—almost unthinkable to those of us who discovered classical economics in the '50s—gives the standard-bearer of the free market hope for the future. The great works of Ludwig von Mises are present on library shelves now, indicating a shift in thought by those who, but a few years ago, gave acknowledgment only to Keynesian progeny.

A worthy addition to these books is the relatively slim (200 pages) but incisively relevant examination of how the government is screwing it up, not only here at home but throughout the world. George Reisman spells out—in the area of oil markets, housing, and the money supply—just how the government is destroying the productivity of the entrepreneur and how the government does its damage to millions of people when it intervenes.

By explaining through direct illustration in many markets and production processes, the fundamental economic laws of supply and demand, Dr. Reisman gives us Economics 101 as it should be taught. Reviewed are the concepts of profit: how they equalize when entry into the marketplace is unfettered by regulation and government constraints; how wage rates also equalize as mobility, job demand, scarcity of skills, and marginal opportunities converge on the marketplace where profit is generated; how prices are governed by the costs of production. All of these economic principles, and more, are given the depth normally associated with the classicists but are immediately graspable through succinct example.

Understanding these economic laws, we begin to see the distortions, corruptions, and general inefficiencies that are inevitable when the government attempts to control any aspect of the production-consumption network. Most notable are the discussions of New York City housing. The apologists still blame slumlords, callous bankers, an uncaring federal housing authority, and the "failure" of the marketplace for the abysmal shortages and condition of that area. Rent control, they aver, is the only thing that keeps New York habitable; without it, prices would go "out of sight."

Rent controls have made New York a bimodal city in which only the subsidized poor and the moderately wealthy can afford to live.

Reisman also shows how the US government, not the irrational caprice of OPEC, has caused the oil shortage we have today. His material is timely, including the wage and price controls, the false alternatives of scarcity-or-rationing as the propaganda swindle so popular with party liners, the attack on oil company profits, and the grotesque intrigues of government officials trapped into actions that make

REASON MAGAZINE.

the tip of the iceberg

A lot of thinking, planning, and printing goes on at the Reason Foundation besides Reason magazine. We've done a hefty amount of work on the ramifications of individual liberty and the free market.

There's REASON PAPERS, our annual journal of important scholarly issues. We have three REASON ESSAYS thus far examining different facets of a free society. And we offer reprints: 11 articles by Tibor Machan, an exposé of the UFW (available in English *and* Spanish), and classic libertarian essays.

Take a look at what we can offer *you*. Send in this coupon today.

Please send me the Reason Foundation catalog.

NAME _____

ADDRESS _____

CITY _____ STATE _____ ZIP _____

The Reason Foundation, 1129 State Street, Suite 4, Santa Barbara, California 93101

the problem worse, not better.

If these distortions of the marketplace are caused by partial intervention, what must life be like in a socialist state like the Soviet Union? We get some glimpses: the never-ending lines for consumer goods when no one even knows what they are lining up for; the social structure of a class system so bound and constrained that mobility in any form is not only impossible but illegal; the enormous inefficiency, which resurfaced recently when the Central Planning Board of the Soviet Union admitted that an entire tractor factory had been faked on paper (the fire marshall was certain no hazards existed, since there was no factory in which a fire could occur). Famines; scarcity of everything as a way of life; informants examining your every move, since the only way to obtain subsistence is by turning in your acquaintances; the ever-present threat of labor camps and death if you don't conform—these are the direct consequences of the doctrine, "From each according to his ability, to each according to his need."

What George Reisman has given us is an excellent abridgement of von Mises, Hayek, Henry Hazlitt, and other contemporary economists, with the facts of the marketplace today, all showing how the identified principles of the free market serve the consumer and the world so much more than the arbitrary hammer of government meddling. This isn't a new message. It is an update and a reapplication of principles to a morass of governmentally caused economic contradictions. Its greatest value is its clarity of explanation. It helps us in the identification of new enemies of personal, political, and economic freedom.

Howard McConnell is a medical electronics consultant who lives in Evanston, Illinois.

Book Hints

a selective mention of books received

The publisher of Nathaniel Branden's recent book, *The Psychology of Romantic Love,* has just released a single volume containing three of Branden's previously published books (*The Psychology of Self-Esteem, Breaking Free,* and *The Disowned Self*) called, simply, *A Nathaniel Branden Anthology* (Los Angeles: J. P. Tarcher, 1980, 752 pp., $17.50). Also newly available is a paperback edition of *The Squeeze* by James Dale Davidson (New York: Pocket Books, 1980, 281 pp., $2.95), favorably reviewed by Tom Bethell in our October 1980 issue, you might recall. Yet another reissue of previously published work is *The Charlotte Perkins Gilman Reader: The Yellow Wallpaper and Other Fiction* (New York: Pantheon, 1980, 256 pp., $10.95 cloth, $5.95 paper). It contains a novel, nine short stories, and excerpts from four novels and three "utopias." In 1979, Pantheon successfully reissued another Gilman work, *Herland,* reviewed here (Jan. 1980) by Susan Love Brown.

Everybody's Guide to Small Claims Court (Reading, Mass.: Addison-Wesley, 1980, 264 pp., $11.95/$6.95) is the latest in a series of do-it-yourself legal guidebooks by Attorney Ralph Warner and Nolo Press (*How to Change Your Name, Planning Your Estate with Wills, Probates, Trusts, and Taxes,* among many others). A handy appendix lists state-by-state small claims court rules. A little pamphlet that may be useful (although somewhat clumsily printed) is *Economical Fallout Shelters That Work* (Thiensville, Wisc.: Zoe Helix Co-op, 1980, 19 pp., $3.00 paper). It comes complete with diagrams and instructions on how to cope with a number of atomic fallout situations. On the subject of atomic energy, Dr. Petr Beckmann has produced a new pamphlet, *The Radiation Bogey* (Boulder, Colo.: Golem Press, 1980, 20 pp., $2.00 paper). Beckmann argues that most people are antagonistic toward nuclear energy simply because of fear of the unknown, and he sets about explaining the basics of radioactivity in simple though not condescending terms.

Now that the privatization of what is usually thought of as government duties and programs is gaining some popularity, a book called *Privatization: Theory and Practice* (Vancouver, Canada: Fraser Institute, 1980, 221 pp., $12.95 paper), by T. M. Ohashi and T. P. Roth, offers analyses of the Canadian experiments in various sorts of denationalization schemes such as Employee Stock Ownership Plans and General Stock Ownership Plans. *Private Contracting,* on the other hand, is the subject of a collaboration between Robert Steiner and R. S. Radford (Washington, D.C.: Taxpayers' Foundation, 1980, 25 pp., $7.95), and it goes into advantages and examples of contracting out government services to the private sector.

On another front, some REASON readers might like to delve into some recent philosophic discussions of reason. Responding to concerted efforts to undermine confidence in the role of human reason in scientific investigation, Roger Trigg has produced *Reality at Risk* (Totowa, N.J.: Barnes & Noble, 1980, 216 pp., $26.50). This is a follow-up to Trigg's earlier work, *Reason and Commitment,* reviewed by Douglas Rasmussen in *Reason Papers No. 2.* Renford Bambrough, on the other hand, explores whether we can have confidence in reason when it comes to moral conclusions. In *Moral Skepticism and Moral Knowledge* (Atlantic Highlands, N.J.: Humanities Press, 1979, 166 pp., $13.75), Bambrough also considers an issue of special concern to those who love liberty: If moral knowledge is possible, is coercion thereby permissible—that is, if someone's action is known to be morally wrong, does that permit others to stop the *person* from so acting?

—C.D.

Sifting for Gold

The Gold Clause: What It Is and How to Use It Profitably.
By Henry Mark Holzer.
New York: Books in Focus. 1980. 352 pp. $21.00.

Reviewed by Steven K. Beckner

A mixture of ignorance and fear have prevented all but a few Americans from using the freedom they have had since October 1977 to make contracts payable in or valued in terms of gold. A book telling how to make use of "the gold clause" is long overdue; Henry Mark Holzer's only begins to fill that need.

The book is of immense interest to students of American economic history. It traces back over 100 years the origins of the current monetary muddle. And conceivably, any attorney who already has an interest in writing inflation-proof contracts could make use of the detailed case law and legislative history contained in this book. Holzer technically is more editor than author of the work, seven out of nine of the chapters being written by other legal experts. Over half of the book consists of footnotes and an appendix of court cases involving gold clause contracts.

Unfortunately, however, the book has very limited practical value to the layman who wants to know how to go about implementing gold payment clauses in leases, loans, mortgages, and so forth. Only one brief chapter addresses the area, whereas ideally, a series of examples detailing how people in various circumstances can use gold clauses should be given.

Holzer may have avoided this because of a feeling that gold clauses are still in doubt, notwithstanding legalization. Aside from the obstacle of usury laws in some states, which have been interpreted to construe inflation-indexed increases in the principal as additional interest, Holzer worries, justifiably, about historical precedent.

Prior to 1933, according to the book, nearly all contracts specified payment in gold of "standard weight and fineness" prevailing at the time the contract was executed. The practice had become prevalent after the Civil War, when the federal government for the first time made paper—some $450 million in "greenbacks"—legal tender. Those fiat currency units reached a low point of 38 cents on the gold dollar.

Following the war, the courts ruled in the "Legal Tender Cases" that only those prewar contracts that had clearly specified payment in gold coin (or the value thereof) were enforceable. All other contract obligations were to be settled at the whim of the debtor in "greenbacks," even though the creditor may have originally assumed that he was contracting in terms of traditionally "hard" money. What's more, the Supreme Court made clear that the power of Congress "to regulate the value of money" took precedence over the sanctity of contracts.

Over 60 years later, when President Roosevelt and Congress seized privately owned gold, devalued the dollar, and abrogated hundreds of billions of dollars in gold clause contracts, the same precedent was cited. In the "Gold Clause Cases" it was determined that gold clauses were against the public interest as Congress, with its power to "regulate the value of money," defined it.

On this history, the book contains some very enlightening passages. A 1934 law journal article that makes up one chapter reveals that some legislators supported the resolution abrogating gold clauses in order to redistribute income. Decrying "those who own the bank deposits and fixed investment bonds and mortgages,"

Ideally, a series of examples detailing how people in various circumstances can use gold clauses should be given.

Senator Thomas of Oklahoma urged passage in order to "transfer that $200,000,000,000 in the hands of persons who now have it, who did not buy it, who did not earn it, who do not deserve it, who must not retain it, back to...the debtor class of the Republic."

Another chapter, written for a 1937 law journal, justifies repeal of the gold clause on the grounds that devaluation of the dollar (taking the official gold price from $20.67 to $35.00 per ounce) was designed to bring about "a prompt and spontaneous rise of internal commodity prices." Wrote one Angus McClean in the *North Carolina Law Journal:* "Until a corresponding rise has occurred [in the general price level] the enforcement of the gold clause in private contracts would result, as in the case of public obligations, in the creditor's 'unjust enrichment.' "

The book also contains a transcript of Supreme Court Justice James C. McReynolds's vigorous dissent in the Gold Clause Cases. Noting that right up until the moment of gold confiscation and suspension of dollar convertibility the government had been selling bonds containing gold clauses, McReynolds bitterly charged Congress with deliberately trying "to bring about confiscation of private rights and repudiation of national obligations."

"The Constitution," lamented McReynolds, "...is gone.....Shame and humiliation are upon us now. Moral and financial chaos may confidently be expected."

It is only realistic, given such precedent and given a current legislative and judicial climate that is even less morally scrupulous than in the past, to have doubts about the viability of new gold clause contracts. Still, for shorter-term contracts, the risks might be worth taking. Unfortunately, all Holzer offers to would-be users of the clause is a briefly stated suggestion to make contracts in kind, that is to lend or otherwise contract in actual gold—in order to avoid objections about congressional power over currency values.

Despite its many interesting academic aspects, more practical exposition is needed.

Steve Beckner is REASON's Money columnist and the author of "The Promise and Perils of Gold Clauses," in the June 1978 REASON.

Coming Attractions

• **Love Canal:** It's a saga involving eminent domain and property condemnation, Defense Department wastes, Hooker Chemical Corp., the Niagara Falls Board of Education, Michael Brown . . . and criminal negligence. But by whom? Reporter Eric Zuesse investigates.

• **Compulsory Testimony:** Lawyer Davis Keeler examines the question of whether, on libertarian grounds, reluctant witnesses should be compelled to give testimony in court cases.

• **Australia's Quops:** They wear plainclothes, they sport innocuous titles—fisheries patrol officer, egg board inspector, flora and fauna ranger. Could Orwell possibly be alarmed?

• **Telephone Tempest:** The attraction of computerization and electronic data processing is causing the phone companies, smug in their government-enforced monopolies, to reconsider their position. And the FCC may be amenable to the change of heart.

The Veto Power of the Purse

The Two-Paycheck Marriage.
By Caroline Bird.
New York: Rawson, Wade. 1979. 305 pp. $8.95.
New York: Pocket Books. 1980. 305 pp. $2.75.

The Two-Career Couple.
By Francine S. Hall and Douglas T. Hall.
Reading, Mass.: Addison-Wesley. 1979. 259 pp. $5.95.

The Changing Life of the Corporate Wife.
By Maryanne Vandervelde.
New York: Atheneum. 1979. 307 pp. $12.95.

Reviewed by Christine Dorffi

On one seemingly ordinary day in 1979, a history-making event occurred: working wives outnumbered homemakers for the first time in the history of the United States. Add to this the fact that more and more people are choosing to live together with the presumption that each continue working, and the number of working "wives" jumps.

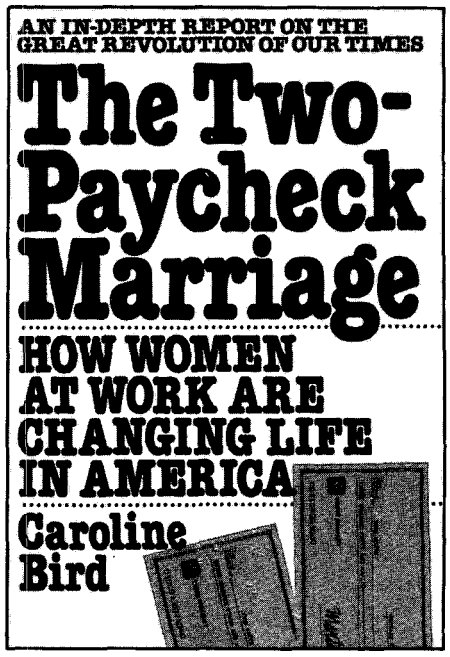
What does this all mean? That we have been involved in a subtle revolution that is changing the terms—and issues—of everyday life in a way that no politically induced,

legally enforced mandate ever could. Things will never be the way they were between Mom and Dad—it's the *permanence* of the change that's beginning to dawn on us. "Until the decade of the 1970s," Caroline Bird writes, "most working wives regarded themselves as either temporary or exceptional. The conventions of work, home, and marriage were postponed rather than questioned. 'Some day' they'd settle down to the norms of their parents—or the equally mythic anti-norms proposed during the 1960s. This is the way it used to be. Now, in the 1970s, women are breaking new ground."

And the ground-breaking that these three books have in common is the domestic. It is women's roles, after all, that have changed and are causing these dislocations. There are no models to follow, no patterns to slip into: Who does the laundry? Who cleans the toilet? Who burps the baby? When the man no longer holds the veto power of the purse—when the woman is even the major breadwinner in an increasing number of cases—how do the thousand small and big questions get decided? And the problem is most difficult for the older generation, the men and women bred with the expectations and roles of a now-obsolete world—how do they make the transition, if at all?

There has recently arrived a plethora of books that attempt to deal with these questions, and we can expect to see a whole lot more. These three are fairly typical of the range. Bird's book is the most comprehensive, describing *how* America became a nation of two-paycheck marriages, then going on to explore the impact of such households on "marriage, home, money management, and children." A subsequent section, "Lifestyle Pioneers," examines how some couples are dealing with the options offered by a two-paycheck marriage, as well as related new options, such as the now-acceptable choice of remaining childless. Bird uses the last portion of the book to outline what she sees as the most probable future in terms of new kinds of families and work styles.

While compelling reading overall, the book is undermined by Bird's citation of typical liberal hogwash to solve certain problems. She advocates federally financed childcare centers—heaven forbid—as well as predicting that "professionals will sell Congress on funding direct services to children, which, unlike the public school system, will be available to all, regardless of need. All children, for instance, will get their teeth straightened at public expense. All will get a chance to go to summer camp. Testing, counseling, and medical care will be available to all alike." While Bird is commendable for advocating that children's rights be


AN IN-DEPTH REPORT ON THE GREAT REVOLUTION OF OUR TIMES
The Two-Paycheck Marriage
HOW WOMEN AT WORK ARE CHANGING LIFE IN AMERICA
Caroline Bird

recognized, she would transfer the parents' authority to the State rather than trusting that children *can* control their own lives and learn from their mistakes.

Fortunately, such incursions into politics are rare, and Bird has much more sense when she writes on the sociological and economic implications of the two-paycheck marriage. The book's thesis is largely based on facts culled from a reader survey printed in the November 1976 issue of *Family Circle* magazine; a random 5,000 of the 30,000 responses received were analyzed. Bird did further research on wives returning to the labor force, as well as relying on several more studies.

The Halls provide a framework for deciding what is possible, what is important, and when to give up (almost never).

The Two-Career Couple, in comparison, is written by a two-career couple and is a practical workbook on *how to* deal with the immediate and long-term situations that confront such couples. Fortunately, it tackles the issue from the premise that individuals (and therefore couples) are or can be in control of their lives and that individual choices and values are what matter. On that basis, it helps provide the couple with a framework for deciding what is possible, what is important, and when to give up (almost never). For couples really in the lurch, it provides such items as a checklist on "Choice 1: If I accept the (job) transfer..."and shows how to rate possible outcomes in terms of value and probability.

Perhaps the area most fraught with ghosts of power- and role-playing is housework, and the Halls obligingly provide some hints about how to survive the tyranny of domestic chores, including "giving up some of the ego needs that we satisfy by keeping a role all to ourselves." As the Halls explain, "We all want to feel indispensable, so when a spouse proves just as capable of sewing or cleaning or juggling the kids' schedules, it's only natural to feel threatened. Similarly, it's difficult for a man to accept that his wife is a successful businesswoman and a family provider." The Halls also advocate reevaluating housework (including gardening and child care) and trimming it of tasks that don't *really* need to be done (who'll ever know you don't dust under your end tables?). This book is laden with examples and sports a few cartoons by William Hamilton. It is pleasurable reading because it treats relationships as singular and therefore having unique solutions that can be arrived at with the aid of the various tools provided in the book.

The Changing Life of the Corporate Wife is the most specialized of the three books, dealing as it does with the select group of wives whose husbands-cum-corporations expect them to be unpaid second employees via an elaborate support system designed to free the primary employee (the executive) from the petty stuff of everyday home life. Vandervelde herself is an anachronism in this group, having been a corporate wife for 17 years as well as a psychotherapist. As background for the book she conducted interviews with the respondents of a survey sent to the chief executives and their wives of the Fortune 500 list. Approximately a quarter of the thousand surveys sent out were returned, and these were followed up with interviews.

It is encouraging to note that this, too, is a positive book, recognizing that no matter the social pressures a woman faces, somewhere, ultimately, a *choice* was made. The book is rife with quotes and examples, most of which speak for themselves. Grant Simmons, one of the chief executive officers (CEOs) interviewed, remarked about a man with an "independent" wife: "If he doesn't have the dominance to handle his wife, he doesn't have the leadership ability we want." One CEO said of an exceptionally organized wife: "I wish I had *her* working for me rather than him"—a sad commentary on these transitory times. Only one CEO among the Fortune 500, incidentally, was a woman—Katherine Graham of the *Washington Post,* and she declined to participate in the survey because of other time commitments.

Vandervelde advises corporate wives in

flux to focus on the opportunities rather than the difficulties of being a corporate wife and raises options similar to those discussed in the other two books: having less kids, using "flextime," saying no to a corporate transfer when it involves a wife's giving up an important job. She rejects the paternalism implicit in recent moves to have corporations solve these problems. The book ends with a chapter written by Vandervelde's husband, Ray Looney, the president of Northwestern Glass Company, entitled "Men of Quality Are Not Threatened by a Woman of Equality." He basically reiterates that liberated "lives are richer for recognition of the fact that when one person invests primarily in the other, and not in herself, it is boring, and unfair, and a tremendous burden as well."

All three books see marriage as a partnership where both spouses benefit, yet not at the expense of one or the other. They are confident that individuals in a committed relationship can surmount all possible problems if they view it as a given that their relationship is the most important value in their lives but that it is flexible and ever-changing. It will be interesting to see what happens in the next 10 years, and then in the 10 years beyond that, when a whole new generation of young men and women will have grown up with a vast array of role models. ◧

Christine Dorffi is an assistant editor at Reason *and coauthors our Trends department.*

viewpoint

(Continued from p. 53.)

Harold Stassen knows that. He keeps listening to his opponents. The more he hears, the more he is encouraged to keep on campaigning. He actually had quite a few achievements to be proud of in 1980. His name was recognized by more voters than that of Peter Frederick Tittl. One of his bumper strips made it to the wall of a television newsroom in Kansas City, Missouri. (I know, because I saw it there not a week before the election.) And Stassen actually ran well ahead of the 1976 Republican vice-presidential candidate, Sen. Bob Dole in a number of 1980 Republican primaries.

So I close out this straggling report on the 1980 election, better late than never, with one cheer for doddy old Harold Stassen for giving us stand-up proof that the distinction between the losers and the also-rans is not as firm as many would like to imagine. But that will be proved all over again, beginning sometime around next Halloween, when the 1984 presidential campaign begins.

Jim Davidson is founder and chairman of the National Taxpayers Union. His book The Squeeze *is now available in a paperback edition from Pocket Books.*

letters

(Continued from p. 13.)

use self-serving statistics; after all, they are trying to sell two-crew airplanes to receptive airline management. But there are many of us in the "business" who are not fooled by such smoke-screen tactics. In 15 years of flying for a major airline, I have experienced countless situations where safety would have been seriously compromised were it not for the third crewmember. Speaking as one who makes his living operating aircraft, I will never be convinced that two-crew airplanes can be as safe as three-crew airplanes. It is high time that the public, the government, the aircraft manufacturers, and the airlines recognize that fact.

Lest these comments be construed as reflecting the opinions of the airline for which I fly, please delete my airline affiliation following my name.

Michael E. Anderson
Easton, PA

Less-Government Attempt

Your readers might like to know about an effort in Apache Junction, Arizona to disincorporate. It is meeting with enormous official delaying tactics. Although most politicians talk of "less government," when the people take direct steps to achieve it, their real feelings come forth. Elected officials and office-seekers from all over the state have come to speak in favor of keeping the city government. The two county attorneys involved have rendered conflicting opinions on the statutory requirements (both opinions are so vague as to be meaningless).

As of this date almost twice as many people have signed a disincorporation petition as voted in favor of incorporation two years ago. In spite of the obvious sentiment of the people, we have been met with charges of "rumor-mongering, defrauding, bamboozling, scare-tactics, etc." The official opinion of the city officials and their supporters is that we are just a bunch of troublemakers.

The real reason for a great deal of the fear among politicians from other areas of the state is the knowledge that success here in AJ will lead to similar movements in other cities and towns. We know of three other communities who are just waiting to see how we fare before embarking on the same course.

We have had to retain an attorney to file suit to get some understandable, rational interpretation of the law. Our opponents are using tax dollars to fight us; we are relying strictly on voluntary contributions. I urge any of your readers who are interested in abolishing an entire level of government to send what they can to the Disincorporation Committee, 1484 West Apache Trail, Apache Junction, AZ 85220.

Robert M. Dugger
Apache Junction, AZ

Freedom is Freedom

Michael Monson's "The Dirty Little Secret behind Our Drug Laws" (Nov.) was perhaps the high point of a superb issue. Years ago many libertarians thought that the drug issue should be the last thing we talk about. But considering its ability to illuminate our concern for liberty, and the practical aspects such as crime, it really ought to be one of the first.

ENTREPRENEURS!

Is Reason available in your town?

If not, why not become a REASON Distributor? Spread libertarianism and make money at the same time, placing REASON in bookstores and on newsstands. Write for our Distribution Kit for full details!

REASON DISTRIBUTORS
BOX 40105
SANTA BARBARA,
CA 93103

OTHER MEDIA KEEP ON TOP OF EVENTS. REASON KEEPS AHEAD OF THEM.

Reason is a monthly magazine written for people who clearly understand the difference between being a leader, and being led around. It's for people who know that the difference is often just a matter of knowing what may happen and why . . . an informative function that Reason's monthly issues fill superbly for thousands of present Reason subscribers.

What are the advantages of being a Reason reader? Check the following list for yourself:

Caught up in the tax revolt, but worried about loss of services?

Reason foresaw today's move to cut back on the taxes supporting big government, and offered innovative ideas on doing more with less. The April 1972 issue discovered cities contracting with private firms in the competitive marketplace — the result was public services at less cost. If you find that kind of reporting of interest as you contemplate future tax bills, you should know that Reason is continuing to explore these trends in every issue.

Obsessed with a fear of flying?

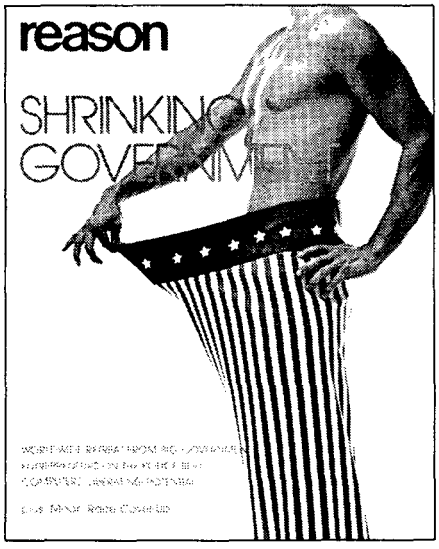
Recently the media have discovered the FAA and its creaky safety enforcement mechanisms. To Reason readers it's an old subject, first explored in Reason's September 1969 issue. During the past year's disasters, Reason has published a major proposal for alternatives to the FAA — and detailed the safety records of both the airlines and the airplanes. As with other major concerns, Reason's readers can now fly with the percentages on their side!

Mail the coupon below to:
1129 State Street, Suite 4
Santa Barbara, CA 93101

Tired of sitting in gas lines or trying to get on a plane?

In Reason's February 1971 issue readers were told of the massive energy crisis that was coming, why it would occur, and what the prudent person would plan for. Today Reason keeps on top of new energy developments, separating fact from fiction, breakthroughs from boondoggles.

Add Reason's intellectual insight to your life. A 12 issue monthly subscription is just $11.99 — more than half off the single copy price, and a lot of reason for a bit less than a dollar a month . . . . see the guaranteed offer below.



Over 10 Years of Publication!

WE'LL GIVE YOU A REASON TO SUBSCRIBE...

If you agree with us that your dollars are likely to be worth less in the future, use your credit card or send a check with your order, and we'll give you 13 issues instead of the 12 offered above. Or, see your first Reason at our risk, and we'll bill you later for 12 monthly issues at $11.99 — either way, Reason's full Guarantee is yours on every future issue!

YES, I'll add Reason to my sources. Please send me:

☐ The next 13 issues for $11.99. ☐ My check is enclosed.

☐ Please charge my card # _____

Card type: ☐ Visa ☐ Mastercharge Expires _____

☐ The next 12 issues, and bill me for just $11.99 (still over half off!)

Name _____

Address _____

City _____ State _____ Zip _____

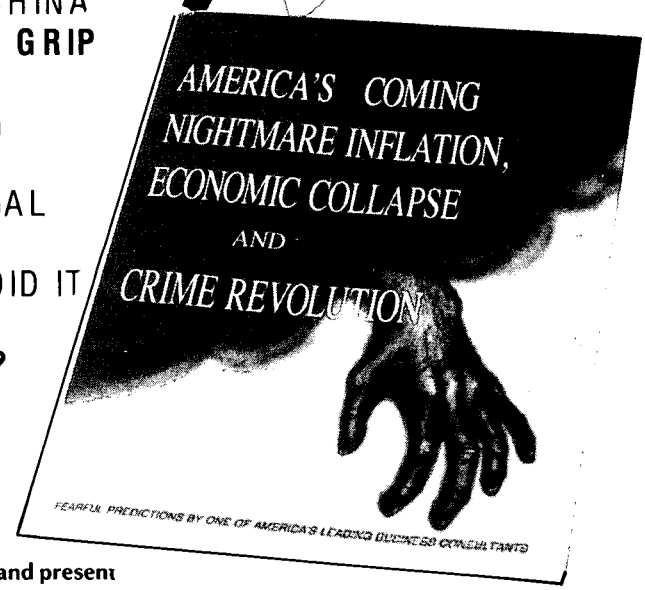
REASON'S GUARANTEE: If at any time Reason's issues do not meet your expectations, a full refund is yours for the asking. No questions, no qualification, no pro-rating for issues you have received.

3012

The creeping shadow...

INFLATION

- DID **INFLATION** CAUSE WORLD WAR II?
- DID **INFLATION** CREATE... NAZI GERMANY? SOVIET RUSSIA? RED CHINA
- CAN AMERICA WITHSTAND **INFLATION'S GRIP** IN THE '80's?
- HOW DID THE **DOLLAR LOSE** ITS BUYING **POWER**?
- DO **FALLING MORALS** REFLECT FINANCIAL TRENDS?
- HAS **INFLATION** CAUSED CRIME? HOW DID IT DO IT? HOW BAD WILL CRIME GET? WILL **CRIME** CAUSE A **REVOLUTION?**



READ

What leading economist and author Fred Muller predicts for America based on past and present socioeconomic conditions.

Fred Muller is no armchair prophet or theoretician. He has been there! He saw China fall victim to the horror's of **inflation** — **Witnessed crime** and **corruption** caused by this insatiable giant. Nation after nation has fallen prey and faced **economic collapse. How will America stand in the 1980's?** Will the capitalistic system survive? Are the poor to become poorer? The **moral breakdown** and **rampant crime** drag the greatest nation on earth to her knees? He presents the facts and what you can do to help yourself...your family... your nation. Buy and read — $10.00 may save your life. **IT IS COMING...**

PLEASE SEND ME [ ] (indicate no. of copies) at $10.00 per book
MasterCard and VISA accepted
all taxes and postage included)

NAME _____

ADDRESS _____

CITY _____ STATE _____

ZIP _____

Send to: FRED MULLER AND ASSOCIATES
P.O. BOX 11909
COLUMBIA, SOUTH CAROLINA
29211

Monson is on point when he compares drug prohibition to persecution of Jews in Germany. Some people will think this is absurd on its face; that is the result of their failure to look at the full context. Why should drug-law advocates grant the right to religious freedom, but not *pharmacological freedom?* This is an a priori distinction that people make without thinking. They surely can't argue that drugs are dangerous, but religions are not. Loads of people have killed and been killed over religion. I suspect that fewer have died in drug-related ways.

As Monson notes, the real issue here is liberty, period. But the side issues—the motives of prohibition and the myth of addiction—are interesting and strengthening elements in the case for abolition of the monster state.

Sheldon Richman
Arlington, VA

classifieds

BOOKS

ECONOMICAL FALLOUT SHELTERS That Work. Reviewed REASON Vol. 12, No. 9. $3.00 postpaid. Zoe Helix Co-op, Box 142, Thiensville, WI 53092.

NEW, USED AND OUT-OF-PRINT BOOKS on libertarianism, revisionist history, etc. Free Lists. Mike Timko, Box 25908, Los Angeles, CA 90025.

A LIBERTY BOOK, "The Little Green Book." 100 pages quotes and epigrams. "Wonderful"—Karl Hess, "Nice little collection"—Dave Nolan, $1.00 postpaid. Quantity Discounts. Libertarian Library, Box 1363, Aspen, CO 81611.

BUSINESS OPPORTUNITIES

INVESTORS, salesperson, fundraiser, and bilingual libertarians wanted by international libertarian radio station now being planned. Serious replies only, including phone number, to Box DD, REASON.

BECOME AN ORDAINED MINISTER and start your own non-profit organization! Many benefits! For your credential and complete information, send $10.00 to: Universal Life Church, 1335 Seabright Ave., Dept R, Santa Cruz, CA 95062.

EMPLOYMENT

MALE LIBERTARIAN (36) with strong retail and sales background desires employment that will allow opportunity to use skills for both the employer and the political aims of the Libertarian Party. Resume upon request. Bob Hurd, 1527 Wells St., Fort Wayne, IN 46808. 219/424-8463.

I AM: 1) Getting an AS degree in Accounting in December. 2) knowledgeable in History, Economics, Politics, Data Processing 3) In need of a job. Write Box JP, REASON.

INVESTIGATIVE JOURNALISTS—If you have an idea for a story about economic or civil liberties problems, let us know. The Sabre Foundation awards grants of up to $1,500 for research into adverse effects of government activities. Send 500-word description, samples of previous articles, and resume by Feb. 1 to Journalism Fund, 325 Pennsylvania Avenue SE, Washington, DC 20003.

LIBERTARIAN MALE, 33, w/BS in Bus. Admin. and purchasing/marketing experience seeks stimulating employment/business opportunity in Small Town, America (prefer Calif.). Looking for a fresh start away from conjestion and smog! Ron Paris, 2044 Casa Mia Dr., San Jose, CA 95124.

FINANCIALS

LIBERTARIAN-OBJECTIVIST registered commodity broker. Trading in all major futures markets. Emphasis on precious metals, financials, and currencies. To open an account call 816/524-5400, collect. Ask for Ted Lenger.

PERSONALS

MALE 28 SEEKS FEMALE consort for intelligent, intimate, mutually gratifying experience. P.O. Box 268, Old Greenwich, CT 06870.

OPPOSED TO THE DRAFT? ABORTION? Intellectual ammunition: $1.00. Speakers available. Inquire: Libertarians for Life, 13424 Hathaway Drive, Wheaton, MD 20906.

PRODUCTS

ANTIPOSTAGE STAMPS (TM). Same kind of paper, gummed backing, perforations, as postage stamps—with a colorful drawing of a snail carrying a mail bag and the slogan "Abolish the Federal Postal Monopoly"! Retail $2/sheet of fifty stamps; Minnesota residents add 4% sales tax. (Wholesale $1/sheet; 100 sheets minimum order.) Mail Liberation Inc., Box 14128, Minneapolis, MN 55414.

IF GUNS ARE OUTLAWED how can we shoot the liberals? Whatever happened to majority rule? Fight crime—shoot back. Question authority. Bumperstickers $1.50 ea. T-shirts $5.50 ea. State color and size. Minerva, 3808 Rosecrans St., San Diego, CA 92110.

FLATULENT? (FREQUENTLY?) FEAR NOT! Read Benjamin Franklin's long-suppressed essay of 1780 on (believe it or not) farting. Hilarious! Frameable. $4. "Essay," Box 69-A, Carrboro, NC 27510.

TRS-80s. Buy from libertarian Radio Shack dealer Charles Blackwell. Lowest prices. Call collect 803/684-9980. P.O. Box 732, York, SC 29745.

"NEXT?" STATIONERY: Defy 'em all. Write letters on "NEXT?" Stationery! The latest power illustration by Barney Steel to shock the enemies of capitalism! Tell the world with one illustration and a few words that you're sick and tired of liberal busybodies, politicians, bureaucraps, environmentalists, ERA, unions, socialists, commies, kooks, and bible-pounders! Let the above mentioned types know you've seen through all the *variants* of their egalitarian muck, and you're prepared to demolish whatever form it creeps in, "NEXT?!" Send $5 per 25 pg. pad, 8½"x 11" to: Barney Steel, 1711 4th St., Long Beach, CA 90802. Phone 213/432-4668.

PUBLICATIONS

THE OBJECTIVIST FORUM: Editor Harry Binswanger, Advisory Editor Leonard Peikoff. A forum of ideas by students of Objectivism. Issues 3 & 4 included an interview with Ayn Rand. $15/year. Published bimonthly by TOF Publications, P.O. Box 5311, FDR Station, New York, NY 10022.

THE PRISONER NEWSLETTER. Devoted to Patrick McGoohan's thought-provoking TV series. Sample $1.00. Subscription $15.00. News, checklists, photos, discussions. Davey Taeusch, P.O. Box 1327, Midland, MI 48640. Vote for Reagan.

BEYOND MONOGAMY. Newsletter exploring alternative lifestyles/open intimate relationships. $9/yr. (12 issues), sample issue $1.00. Box 12514-R, Denver, CO 80212.

LIBERTARIAN DIGEST. Monthly survey of libertarian periodicals, books. $6.00 annual, $1.00 single copy. 1920 Cedar, Dept. N, Berkeley, CA 94709.

REAL ESTATE

YOUR OWN ISLAND! Read "SAILING THE FARM." Complete guide to self-sufficient homesteading at sea. Learn how a boat is your ultimate survival retreat. Shows how to find, grow, and store food, make money, use solar tools and survive in your personal portable country on the high seas. $11.95 PP. Voyager's Press, 3790 NE Linda Dr., Jensen Beach, FL 33457.

ARIZONA MOUNTAIN SURVIVAL RETREAT. Open to all Constitution Loving Patriots for security during VERY HARD TIMES ahead. NOT MUCH TIME LEFT! Sweet water creek flows thru remote DEFENSIBLE hidden valley stronghold. Family units of two acres or more available. Beautiful view. Fertile soil. Excellent solar energy site. One hour drive to town. Well planned-out. Retreat Manager has all necessary survival and facilities info. 920 acres at 4,200 to 5,174 ft. elevation. Retreat has extensive building equipment to be used by retreat members. Brochure—photos. P.O. Box 3997, Kingman, AZ 86401.

HOME SELLERS, REALTORS Faster more profitable sales using display and merchandising techniques. Read SHOW HOW. $4.00. Box 1588, Evergreen, CO 80439.

SERVICES

COUNTY-BY-COUNTY VOTER RETURNS of major & minor Presidential candidates, with percentages. Send $11.95 to RE, Box 18191, Atlanta, GA 30316.

PRIVACY? Letter forwarding, confidential inquiries and transactions facilitated. For details write: Letter Emissary Div., SCC, Box 39521, Solon, OH 44139.

RATES: 35 cents per word, $7.00 minimum. For REASON box number instead of personal address, add $1.50 per insertion. *All orders must be accompanied by payment,* and copy should reach us by the first day of the second month preceding the month of issue (e.g., advertising for the March issue, which is mailed early in February, should reach us by January 1st).

THE CLASSIFIED AD DEADLINE FOR THE MARCH ISSUE IS JANUARY 1.

ARE YOU READY?

SURVIVE THE CRUNCH —NOW!

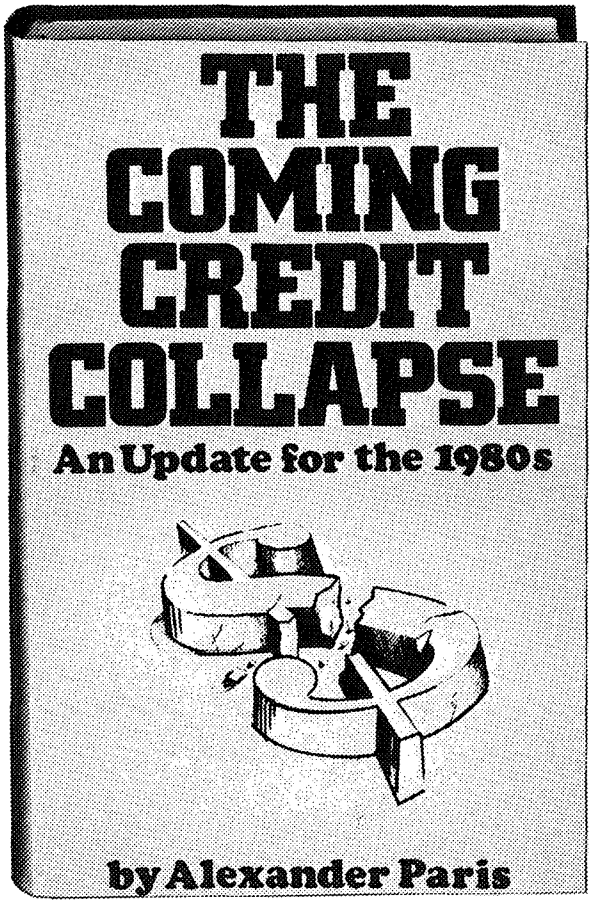
Increasing economic instability. Skyrocketing prices. Record interest rates. Progressively worsening credit crunches. Alexander Paris predicted it all in 1974 with the first edition of THE COMING CREDIT COLLAPSE. Now he's back with a complete *Update for the 1980s.* Here are unemotional strategies for survival and no-nonsense suggestions for investments and personal planning that you can use *today.*

Accolades for the first edition of **THE COMING CREDIT COLLAPSE:**

"If this book were to be widely read by the right people, its impact could be awesome."
—Investment Review

"To get a good grip on why the bears are so bearish...I would recommend **THE COMING CREDIT COLLAPSE."**
—Andrew Tobias
New York Magazine

"Powerfully argued. Comprehensive and all too relevant to a wide audience."
—Kirkus Reviews



GET INSIDE INFORMATION— ALL YEAR LONG!

Let the man who foresaw today's credit collapse show you how to turn government interference into investment opportunities all year long! With Alexander Paris' FREE MARKET PERSPECTIVES, you'll learn to balance highly emotional short-term news events against the long-term economic climate and regularly recurring cycles. Whether you invest big, small or not at all, this vital newsletter can be your key to financial survival.

SPECIAL FREE OFFER

Get THE COMING CREDIT COLLAPSE: An Update for the 1980s FREE (a $12.95 value) with a year's subscription to FREE MARKET PERSPECTIVES (12 issues for $50.00).

HMR Publishing Company
P.O. Box 471, Barrington Hills, Illinois 60010

☐ YES, I would like to take advantage of your SPECIAL FREE OFFER. Please enter my one-year subscription to Alexander Paris' FREE MARKET PERSPECTIVES. I understand that I shall also receive absolutely FREE a copy of THE COMING CREDIT COLLAPSE: An Update for the 1980s. My check or money order for $50.00 is enclosed ($58.00 for foreign airmail delivery).

☐ NO, I don't wish to subscribe to FREE MARKET PERSPECTIVES at this time. Please send me ____copies of THE COMING CREDIT COLLAPSE: An Update for the 1980s @ $12.95. My check or money order is enclosed. **R1**

NAME_____

ADDRESS_____

CITY_____STATE_____ZIP_____

(Please make all checks payable to HMR Publishing Co.)

Priceless Knowledge Free

A Blockbuster Perspective

Jim Cook Interviews Howard Ruff

Best Selling Author, Television Personality, and Editor of America's Fastest Growing Newsletter

Interviewed by the President of America's Leading Purveyor of Precious Metals, Rare Coins, Colored Gems and Collectible Investments

Plus

- Precious Metals Update
- A Gloomy Look Into the Eighties
- The Margin Ripoff
- Gold Coins
- Numismatics
- Colored Gems
- Rare Stamps
- Rare Weapons
- Gold and Silver Check List
- The Ultimate Gold Investment
- A Final Thought

Profit-Provoking Pearls of Economic Wisdom

The Premiere Issue of An Important Newsletter

IRI Insight is a new newsletter published by Investment Rarities, Inc. This first issue contains the unedited transcript of James Cook's interview with Jerome Smith plus timely commentaries by Kenneth J. Gerbino, Mark Skousen, F.A. Hayek, Jesse Cornish, and more ...

JEROME SMITH INTERVIEW: An Introduction

Over the past decade, Jerome Smith has become unique among all economic forecasters because of the uncanny accuracy of his predictions.

Mr. Smith is no "seat of the pants" economist. His insights are rooted deep in Austrian School, free market, economics. He is a leading contemporary economic thinker and his visionary forecasts have been sound guideposts to the future.

He predicted the devaluation of the dollar in 1970 when it was considered the most stable currency in the world. His definitive book, *Silver Profits in the Seventies*, foretold the silver price rise from $1.29 an ounce. He has been breathtakingly accurate in forecasting gold, and he called the big move in platinum almost to the day.

For more than ten years, Jerome Smith has consistently predicted business cycle movements, the onset of recession, and soaring levels of inflation as well as interest rate, commodity, and equity market movements.

He is the founder of *World Market Perspective* and has a new book out entitled, *The Coming Currency Collapse and What You Can Do About It* (Books in Focus, 1980).

We were pleased to have Mr. Smith agree to be interviewed in our first issue ...

—*From the Introduction to the Jerome Smith Interview, IRI Insight, Vol. 1, No. 1*

Just Ask!

To get your free copies of the **Howard Ruff Interview** and **IRI Insight**, send your name and address to Investment Rarities, Inc., One Appletree Square, Minneapolis, MN 55420, or call toll free 1-800-328-1860.

Investment Rarities, Inc., does not guarantee the accuracy of the information nor the profitability of any recommendation contained herein. Gold, silver, rarities, and collectible investments are not necessarily an investment medium appropriate for the entire investment public. This literature is intended solely for informational purposes and is not deemed a prospectus or solicitation of orders.